

Nation's Business

USEFUL LOOK AHEAD

DECEMBER 1962



PREVIEW '63

WORLD ECONOMY PRIMING FOR NEW SURGE

PAGE 33

Survey shows what U.S. executives expect **PAGE 36**

Congress will act on these issues **PAGE 38**

White House labor policies face tests **PAGE 40**

How to sell your ideas **PAGE 80**

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HOW MANY OF YOUR BUSINESS PROBLEMS ARE REALLY COMMUNICATIONS PROBLEMS?

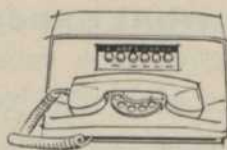
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BELL TELEPHONE SYSTEM

Nation's Business

December 1962 Vol. 50 No. 12

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7 WASHINGTON BUSINESS OUTLOOK

Consumer buying expected to rise in '63; equation shows how tax cuts could boost volume; where price trends are headed

10 BUSINESS OPINION: Red assessment disputed

State Department official's discussion of the communists' prospects criticized by readers; automation article praised

14 EXECUTIVE TRENDS: Your job in 1963

New year won't be a snap for managers of American firms; recruiter forecasts the outlook for jobs and executives' pay

25 WASHINGTON MOOD: Success may lead to trap

Administration must guard against the assumption that its election gains will make legislative victory easy next year

29 STATE OF THE NATION: Elections could help France

Major purpose of French balloting same as that in U. S.: giving President necessary power, but also limiting its use

33 World economy priming for new surge

Specialists of The Economist Intelligence Unit of London forecast business trends in all major areas of the globe

36 Survey shows what executives expect

Managers in a cross section of major U. S. companies predict what will happen to the economy in coming year

38 Congress will act on these issues

Newly elected lawmakers say they will strive to pass tax cuts, spending reductions, education aid, aged health care

40 White House labor policies face tests

How Administration acts in coming negotiations will point trend of intervention, indicate how close controls may be

42 Why Russia lies

Soviet history of duplicity shows that the West can expect more Red double-dealing as a basic weapon in world affairs

44 A LOOK AHEAD: Milk laws to be issue

New Congress will face many differing proposals on dairy legislation; mortgage market prospects depend on tax cut

53 PERSONAL OUTLOOK: Christmas list addition

Navy operates world-wide deliveries of charitable cargo on warships; unique guidebooks useful if you're going abroad

60 Next need after tax cuts

Business education leader is optimistic about the future, tells what he thinks is necessary to spark faster growth

65 What happens when government buys advice

Congress plans a closer look at the \$6 million average cost each year of bringing in outside consultants to make studies

66 Balanced talents bring team success

You can use these suggestions to get the most productive mix of skills when setting up task forces to do special jobs

80 How to sell your ideas

Advance planning and proper presentation techniques will get your proposals accepted; here is some helpful advice

84 Where government can save money

Watchdog over government expenditures, Joseph Campbell, urges maximum use of competition in federal procurement

88 How new plants help

New study shows industrialization brings higher incomes, retail sales, bank deposits; rise in nonmanufacturing jobs

90 Here's package you won't buy

Proposed packaging law raises industry fears of extreme regulations that could stifle innovation, limit competition

98 Men at work

Backers of compulsory federal health care plan are busy generating pressures which can be offset only by the facts

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GOODYEAR

WASHINGTON BUSINESS OUTLOOK

$I - T - S \cong 361$

There's the formula for business in '63.

Works like this:

I is income.

T is for taxes people pay, to be subtracted from income.

S is saving, also subtracted.

Answer is 361—the total in billions of dollars (estimated) that Americans will spend for goods and services in '63.

Figure equals nearly \$1 billion a day.

From this equation you can see what's needed to boost business prospects.

Cut taxes. That's first need.

This would add to the money people have to spend.

Taxes next year are expected to take about \$60 billion out of personal income—highest personal tax bill in history.

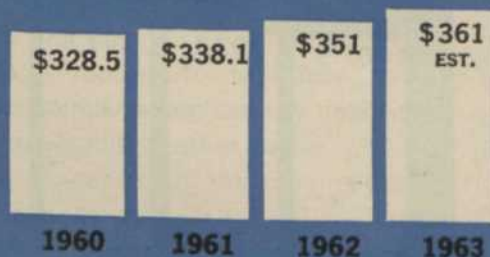
That would be about \$7.5 billion above last year's collections.

Mixed trends are shaping up for consumer spending.

Importantly, future now looks a little better than it did a few months ago.

Personal consumption promises to rise in '63

IN BILLIONS OF DOLLARS



Business foreguessers in Washington think the mix is likely to come out this way:

Durable goods sales are ending the year about \$3 billion higher than last year. Next year is projected downward about \$1 billion.

Sales of nondurable goods, up about \$4 billion this year, may go up another \$4 billion next year.

Consumers will spend about \$6 billion more for services this year than last, total going up about \$7 billion next year.

This adds up to slower over-all economic growth than average. It's the sluggish trend economists are talking about.

Net gain for the year ahead, about \$10 billion, compares with \$13 billion this year over last. That's also below average.

These figures show how tax cuts—if voted in time—could boost economic growth substantially in '63.

Personal tax cut of, say, \$6 billion would pour swiftly and directly into the stream of commerce, push total volume up as much as \$14 billion for year as a whole.

Economists point out that such a personal tax cut, plus a similar cut for corporations, could get economy going faster.

President Kennedy has promised to press for tax reduction to be effective on the first of January.

Build-up of world tension change that?

No.

Treasury Secretary Douglas Dillon says:

"A tax cut will be proposed by the President—you may be sure of that. And it is my firm belief that the Congress will enact it in the national interest."

I's are being dotted this month and next on the final draft of the President's message.

The message, Treasury men say, will call for

a major "restructuring of our tax law." It'll be aimed "at the creation of a system which will make a positive contribution to the basic economic health and growth of the nation."

Principal goal: Improving tax equity.

That means some taxes will be raised, net reduction promised for most individuals and corporations.

It'll be no shoo-in.

Battle lines in Congress are forming between those who want tax cuts for economy-boosting reasons and those who want federal spending reduced first.

Government agency heads are under Budget Bureau orders to find ways to pinch pennies.

But big spending reductions are unlikely.

You can expect a hard fight to get taxes cut in '63.

Leading executives worry about the prospect of new pressures from Washington in '63.

That's the finding of a Nation's Business survey (see page 36).

Only 18 per cent of the executives surveyed forecast a marked upturn in general business conditions during the year ahead.

Most top businessmen—six out of 10—look for a plateauish business performance.

Many attribute their cautious feeling to uncertainty over federal actions that could affect the national economy.

Concern about Washington's impact seems to be a haunting mood, a feeling of apprehension that runs throughout the country.

Business worries aren't tied solely to the prospect of government actions.

Some executives say the cost-price squeeze is growing more troublesome.

Many business leaders surveyed by Nation's Business predict a downward trend in the first half of '63 with an upward trend coming after summer.

Most men projecting a downturn don't think it will be sharply downward.

Executives who anticipate an upturn link their expectations to possible tax relief, stepped-up spending by consumers, possible rise in capital investment.

Where do prices go from here—up or down?

Newest turn of the consumer price index—more sharply up than in recent years—is leading to some confusion about price trends.

Truth is that some prices keep rising while others remain soft.

Food prices, for example, for the nation as a whole are up less than the average for all items in the consumer price index.

Same is true for nondurable goods.

Durable goods are actually selling at lower than '59 prices.

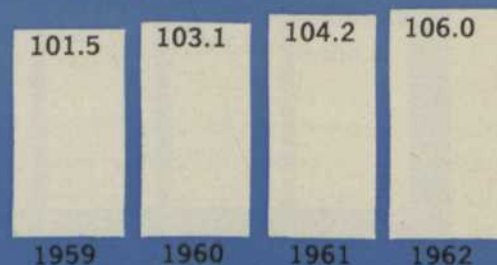
Services, on the other hand, are now costing nearly 10 per cent more than in '58.

Wholesale price index today is almost exactly the same as it was four years ago, is slightly lower than in '59 and '60.

Price specialists in Washington think you will see about the same trends in the coming 12 months.

Consumer price index hides changing trends

1957-59 = 100



WASHINGTON BUSINESS OUTLOOK

World getting set for a major economic jump ahead?

Specialists think so.

Sale of U. S. merchandise abroad recently has tapered off. But the decline is slight and trade specialists think it will pick up soon.

Exports for the coming year are expected to run ahead of imports by about \$4 billion.

Compares with \$3.5 billion this year.

That means an export volume of about \$20.5 billion.

By the end of next year export volume is expected to begin a new surge.

Prospects are outlined on page 33 in special Nation's Business reports from all major economic regions of the world.

A new high-water mark for federal debt will be reached this month.

Uncle Sam will be \$7 billion deeper in debt than he was six months ago.

From New Year's Day on, the debt ceiling will move downward from \$308 billion to the permanent limit of \$298 billion at the end of June.

Before then Congress will be asked to set a new debt limit—maybe as high as \$315 billion for the fiscal year ahead.

Actions in the new Congress will involve many issues of top importance to business.

Here's a preview of some of the key controversies that will come up:

Government medicine—Subsidies for limited health care for some of the aged as part of the social security program.

Jobless pay—Proposal to federalize state unemployment compensation laws by imposing pay standards, eligibility, other rules.

Wage-fixing—Expansion of minimum pay law to industries now excluded.

Hours of work—Proposal to establish a 35-hour workweek.

Patents—Big pressure to take federal title to patents developed by government contractors.

Competition—Committee investigations into pricing and other business practices related to competition.

Packaging—Federal law to prescribe size, color, contents-marking of packages.

Finance—Proposal to prohibit manufacturers from financing sale of their own products.

Union monopoly—Proposal to place unions under the same antitrust laws that regulate businesses.

Subsidies—To provide government housing for the elderly and middle-income families. Federal funds for schools from kindergarten through postgraduate education. Loans and grants to states and cities for mass transit systems. Farm subsidies and controls.

Chances of passage for these proposals?

Nation's Business surveyed members of the new Congress. See page 38.

You can take part in regional discussions of the prime legislative issues of 1963.

One-day meetings in 15 key cities across the country will provide meaningful, useful and timely background information about the new Congress, where legislative trends could lead, how business will be affected.

Meetings will be held during February in Fargo, N. Dak., Des Moines, Battle Creek, Baltimore, Pittsburgh, Springfield, Mass., Louisville, Winter Park-Orlando, Fla., Jackson, Miss., San Antonio, Bakersfield, Calif., Seattle, Boise, Idaho, Albuquerque and Oklahoma City.

Team of specialists from Washington will be led by President Ladd Plumley and Executive Vice President Arch N. Booth of the Chamber of Commerce of the United States.

For information about the meeting you want to attend, write to the Chamber of Commerce of the United States, 1615 H Street N. W., Washington 6, D. C.

Official's assessment of Red prospects disputed

OCTOBER'S NATION'S BUSINESS seemed, at first glance, to be another great issue in your long efforts at exposing the international socialist conspiracy usually called communism.

I have reprinted many hundreds of your two-page article, "Red Slant Reaches 10 Million U. S. Readers," and other important articles you have published in the past two years.

But my hope for new predictions in "Communism: What Lies Ahead" changed to shock when I found you listing Walt Whitman Rostow as an "authority on important aspects of Soviet drive for world domination." My first impulse was that you had found some good material by Mr. Rostow, but after reading the article I realized that was not the case.

Prof. Rostow is no historian when he states, in "Poland . . . collectivization has, in effect, been abandoned," and "history demonstrates that communism is a disease which a disciplined minority can impose on a weak, distracted society."

But with all these errors he does make one true statement, "Our task is to mobilize and unify the material, human, and spiritual assets of the community of free nations and to protect its members from external and internal aggression."

R. A. FONTAINE
New Bedford, Mass.

The articles on communism were excellent. The second, by Sidney Hook, is certainly one of the best I have ever read. If he were in Mr. Rostow's position, I'm sure that our country would become better informed on this issue of communism.

A. W. BERRIER
Berrier Sales Company
San Francisco, Calif.

► Mr. Rostow has been active in anticommunist work since the 1930's. He was an adviser on national security problems during the Eisenhower Administration and served as

a Deputy Special Assistant to President Kennedy (for national security affairs) before moving over to the Policy Planning Council in the State Department.

After lengthy hearings before the Senate Foreign Relations Committee earlier this year, Chairman J. W. Fulbright, Democrat of Arkansas, and other members of the Committee said they were most impressed by Mr. Rostow's testimony and his "concern for the national security."

Reasons for decisions

Examples one and two in "Test Your Decision-making Ability" [November] are apparently based on personal rather than business reasons. To buy an important item in the production line for one third the cost without hedging to safeguard yourself against lack of delivery or poor quality doesn't reflect executive ability—it shows inexperience and a touching faith in human nature. Also the unfortunate fact that business growth goes both up and down does not appear to be recognized in example two. Maybe his employer is so bad off that he has to go elsewhere to get a job even at a 20 per cent cut.

ROBERT T. HANDREN
New York, N. Y.

Required reading

"Future Impact of Defense Buying" [September] has been selected by the Air War College faculty as required reading for our students.

CAPT. ROBERT H. WHITE
Asst. Deputy for Administration
Air War College
Maxwell Air Force Base, Ala.

Automation simplified

Automation is not a popular subject in this area—with unemployment at its present level. Yet increased awareness of the opportunities created through automation will provide growing recognition of the



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6. The Hammond Organ is the best organ you can give her. We say this only because, after 27 years of selling more of them than anybody else, it's true. Only Hammond, for example, has Harmonic Drawbars that let you select beautiful tones by the thousands. And it has a tone system that keeps the organ from ever going out of tune.
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Business opinion:

necessity for technical skills to meet the demands of shifting personnel requirements.

We wish to compliment NATION'S BUSINESS on "Automation Creates New Jobs" [April]. It is factual, concise and objective, without the technicalities that often confuse readers.

B. J. POESCHEL

President
Beverly Technical Training, Inc.
Gary, Ind.

School discipline backed

Felix Morley's article in September's NATION'S BUSINESS was very thought-provoking and timely. His examples certainly support the value of discipline in our schools. The school our children attend has for the most part maintained reasonable discipline and a strong emphasis on the subject matter being taught. I was pleased to note Dr. Morley's endorsement of this approach.

T. J. CASHMAN
Scotia, N. Y.

Another Morley fan

I was most impressed with "Supreme Court Misinterprets the Role of Government," by Felix Morley, in the October issue of your publication.

I would appreciate having your permission to reprint this article in our publication, *Exclusively Yours*.

W. F. PATTEN, JR.
The Patten Company
Milwaukee, Wisc.

Where the money goes

In "What Consumers Will Buy in 1970" [November] under what categories would the following items belong? Church contributions and charity; education, insurance, and taxes. In our home these items would rank next to food and housing as our major expenditures and yet they are not shown on your list.

A. E. NELSON
Roselle Park, N. J.

► Church contributions and charity, as well as education expenses, are included under "other expenditures." Expenditures for religious and welfare activities are estimated at \$107 per family (1.5 per cent of consumer expenditures) in 1962, and education expenditures at \$110 per family.

Insurance expenditures are under "household operation," except those considered as savings.

Taxes, which average \$1,133 per family, are not included because they are not considered expenditures in the usual sense.

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Executive Trends

- Your job in 1963
- Outlook for openings, pay
- When is a practice ethical?

Your skills as a manager will undergo an acute test in 1963.

Businessmen will confront major challenges in all companies. These challenges will force many executives to stretch themselves to keep their companies on the profit side of the ledger.

It will be a year of cost-consciousness, of intense, scrambling competition, of adjustment to new technology, of change and uncertainty. It could also be a year in which your firm breaks through to profitable new markets; the outlook is by no means all negative.

Barring war, 1963 is likely to be a good year for executive job-seekers.

That's the feeling of professional executive recruiters.

One recruiter, Gardner W. Heidrick of Chicago, predicts executive demand next year will be particularly strong in the engineering and scientific classifications, finance, manufacturing, and to some degree in sales and marketing. He believes gross compensation, over-all, will be down somewhat as a result of the profit pinch.

Mr. Heidrick says: "There is developing an increasing tendency for companies to reach for men with technical backgrounds for general management spots." In the financial field he expects demand to be strong for "well trained controllers who can get results with a minimum of paper-shuffling and who have a knowledge of computers"; in manufacturing he foresees a search for managers who are cost and automation-conscious.

Note: Mr. Heidrick predicts

many presidents will find themselves under heavy pressure because of growing discontent among stockholders and directors over earnings and return on investment. "This," he says, "means that executive changes will be made."

The biggest problem U. S. business faces in the coming year is regaining its shaken confidence.

This view is expressed by Lawrence A. Appley, president of the American Management Association.

In an interview, Mr. Appley blames "actions and decisions of the federal government" for creating a widely felt sense of unease and uncertainty in the American business community.

"I feel the country is in a state of shock," Mr. Appley asserts. "Business success now seems to be less dependent on skill in the marketplace than at any time in our history." (For more on the business mood see page 36.)

In 1963, Mr. Appley predicts, we will witness an "intensification of management training because of the increased need for management skill at all levels—a need for people who can motivate others to perform at their peak in a time of profit squeeze, government pressure and a numerical shortage of managers caused by depression and war."

Mr. Appley believes coming months will find businesses putting heavy emphasis on development programs with a how-to approach.

What about the Common Market? Mr. Appley, recently back from a European trip, says the "Market is two years ahead of schedule and



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NEW ORLEANS— MOBILE	14	4 hrs. — min.	1.65	1.90	2.20
MILWAUKEE— CHICAGO	11	1 hr. 50 min.	1.40	1.60	1.80
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World Headquarters: Philadelphia

EXECUTIVE TRENDS

continued

offers American business some fantastic opportunities if it will only seize them."

• • •

The new year will bring an important management congress to the United States—one which could provide you with useful guidelines for doing business through the remainder of the 1960's.

The congress, sponsored by the International Committee for Scientific Management, will be held in New York September 16 through 20.

More than 4,000 executives—2,000 of them from U. S. firms—are expected to attend. The congress will include sessions on such subjects as "the new relationships of managers, scientists, and scientific information," "techniques for coping with growth and change," "organizing for operations overseas" and "the role of competition, today and in the future."

Attendance at this meeting by you—or someone from your company—could prove unusually rewarding, particularly if you're seeking knowledge of business trends abroad.

• • •

How can you tell when a business practice is ethical or not?

Tricky question—sometimes.

Dean Robert R. Dockson of the School of Business Administration of the University of Southern California offers this formula:

"If you are willing to disclose what you have done, then it is probably ethical."

Dean Dockson, interviewed in Los Angeles by a NATION's BUSINESS editor, says he feels the world is on the verge of a business boom "the likes of which we have never seen before."

To learn more of his thinking about the future, see page 60.

• • •

Suggestion boxes can serve some quite unexpected—and productive—purposes.

They are often looked upon mainly as a means for letting employees air their grievances, or as a channel for ideas which might be useful—with heavy emphasis on the "might."

The fact is that the suggestion box can be a subtle prod to improved performance.

Example: A vice president in a Midwestern manufacturing company told NATION's BUSINESS:

"We find suggestion boxes keep

our executives and supervisors on their toes. If they know that rank-and-file workers are pouring suggestions into the boxes they will work extra hard to see that the operations under their control are so good that they don't need improvement.

"It's a kind of a pressure game, I suppose," the vice president added, "but it does keep everyone alert. After all, a manager doesn't relish having someone under him point out a flaw in his operations that he has overlooked."

• • •

Your company probably will devote more of its manpower, money and time in 1963 to the fight for a larger share of its market.

Evidence of this trend is plain in results of a survey which the National Industrial Conference Board recently conducted among 154 manufacturing companies.

A majority of executives replying agreed that the most important sales problem next year will be that of meeting increasingly fierce competition.

Here are some comments:

"The intensity and severity of competition is unbelievable," said a machinery manufacturer.

"We are placing more emphasis on sales and marketing now in our company than we have for many years," said the president of another company.

The Conference Board findings generally correspond to opinions expressed in a new NATION's BUSINESS survey of business expectations.

Firms replying to the NICB survey cited price-cutting and narrowing profit margins as basic ingredients in the current marketing picture, blamed the fact that companies' major markets are in a depressed or uncertain state.

What are companies doing to surmount the problem? More aggressive selling, new promotions, increased emphasis on quality and service. "Beyond this," the Conference Board reports, "many firms are banking on the development of new products to help them sustain or improve their competitive positions."

• • •

How would you like to sit at your boss's desk for an hour and deal with problems that come his way?

The Radio Corporation of America has made this question more than academic through a development program which enables a manager to fill his boss's role for brief periods

(continued on page 23)



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small business is amply represented, too. Large and small businesses have found that INA can custom-tailor insurance programs to fit their operations... simple, *economical* programs.

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INSURANCE COMPANY OF NORTH AMERICA

World Headquarters: Philadelphia





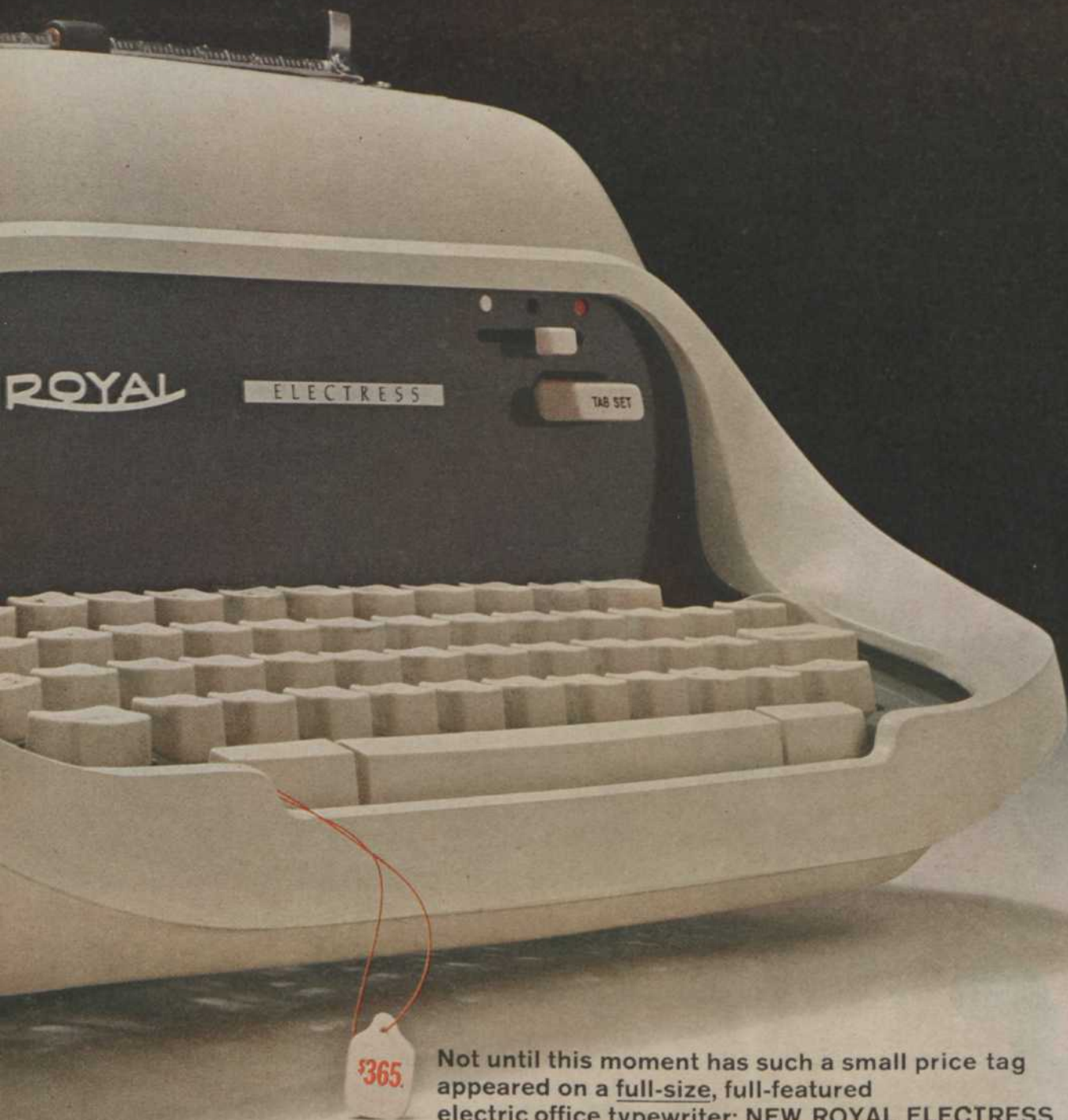
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money but results in a strong, trustworthy machine. Quiet. Dependable. Rugged.

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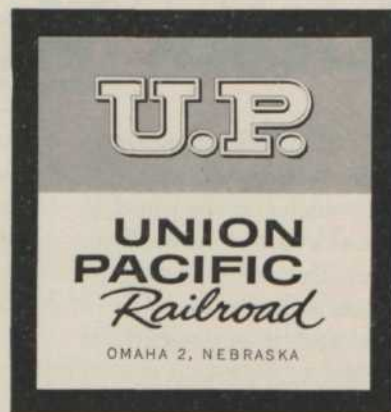
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EXECUTIVE TRENDS

continued

of time. At Camden, N.J., in RCA's parts and accessories facility, some middle-echelon executives take over their bosses' roles for periods ranging from 30 minutes to an hour. The substitute sees salesmen, plans and schedules work, handles telephone inquiries, orders materials—in short, actually does the work his superior would do.

Sterling D. Huggens, Camden training manager for RCA, says the experiment gives managers an opportunity to experience problems peculiar to the next higher organizational level in their department. In so doing, it makes them better fitted for promotion, he adds.

• • •
To get a reading on the shape of the year ahead—and the years beyond that—consider the plans of a major consulting organization.

The firm—Booz, Allen & Hamilton, Inc.—is tooling up for major studies of what it calls the prime problem areas confronting Ameriman business.

The company has identified seven—all counteractions to the decade-old pressure on corporate profits:

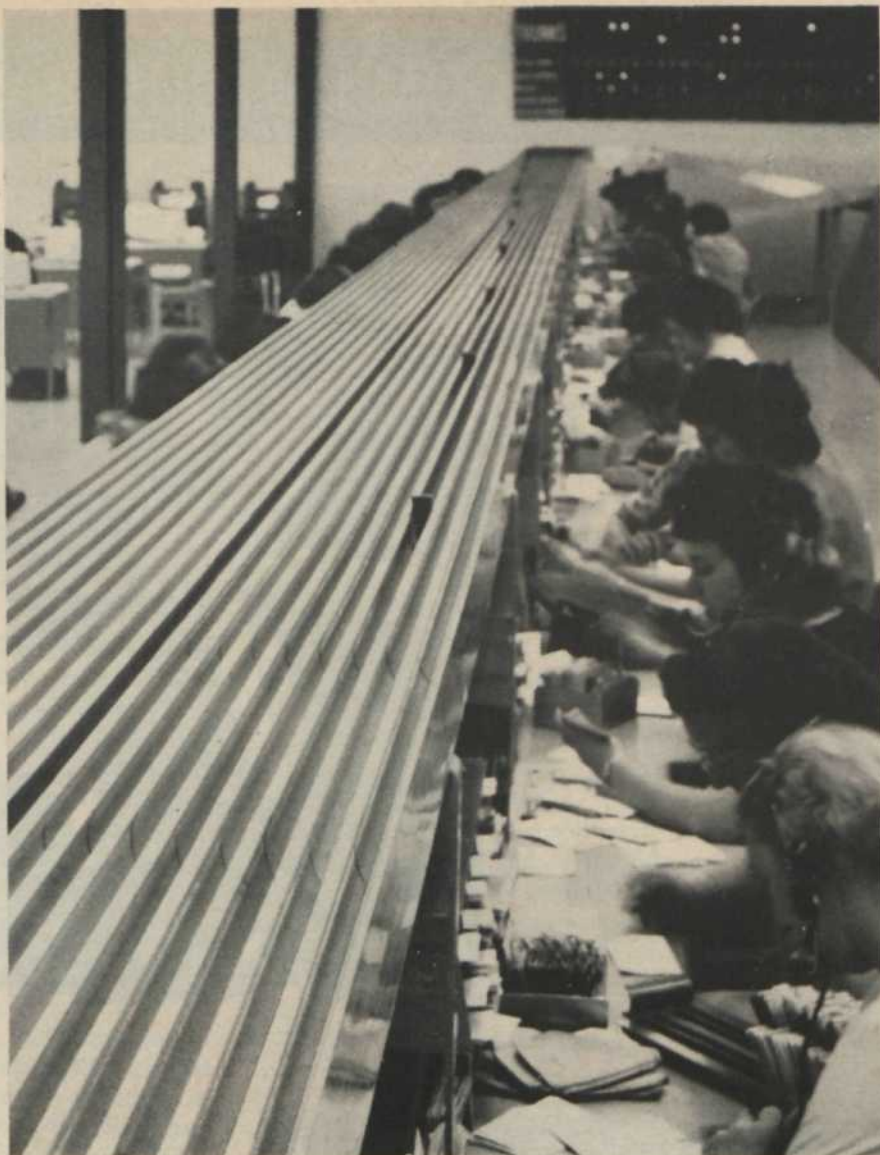
1. Moving into foreign operations.
2. Reducing costs of administrative overhead.
3. Re-examining computer use.
4. Placing managers under stiffer performance standards.
5. Uniting company resources for more successful marketing.
6. Introducing new products.
7. Reappraising distribution.

The consulting firm points out that U. S. companies moving into foreign areas face the challenge of determining how best to organize for such activity, how to direct and control, how best to staff the operation. "The internal problems," Booz, Allen says, "far exceed in severity such external ones as tariffs, currency clearance, and the like."

Other comments:

Administrative overhead: "With the vast burgeoning of costs for [clerical] employees, management has recognized its problem and set about to reduce costs in the rather neglected areas of the office and overhead people."

Performance standards: "Management is placing specific performance expectancies on managers, such as achieving a five per cent reduction in direct labor costs in a department, reducing absenteeism by 25 per cent. . . ."



How to get hold of any one of 3 million credit records in one minute!

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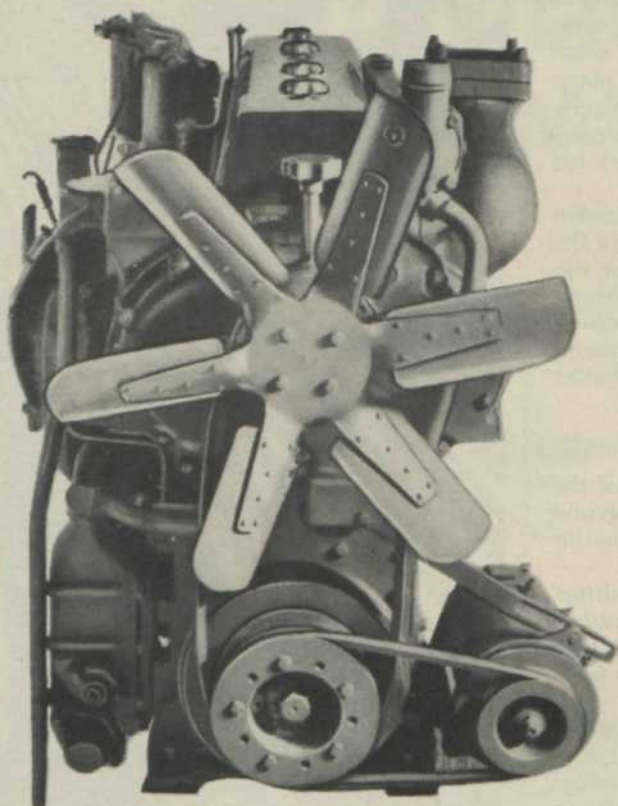
The Friden Document Conveyor speeds all types of business documents from one place to another

within your office. It reduces handling and hand-carrying of messages and accelerates work flow. Documents can move in any direction—even around corners and with inclines and declines! And it's all done swiftly and quietly. By selecting proper channels, automatic sorting is accomplished. Further, modular construction permits an unlimited number of channels.

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Success may lead President into trap

BY MERRIMAN SMITH

AMERICA'S political tastes are shifting. Rigid conservatism catches on in one state and flops in another. Flaming liberals turn up in odd places with the bright sheen of victory on their plans for a better future. Yet in other areas where the flames of liberalism could be expected to burn brightly, they flicker out.

To compose this critique after such deeply entrenched Republicans as Sen. Homer Capehart of Indiana and Rep. Walter Judd of Minnesota bit the political dust, the writer sought out what is known to the trade as a veteran observer. In this case, it was a highly conservative Republican—not an office-holder, but a shrewd political technician.

By dawn's early light and minus the distraction of television's many-splendored computers, the grizzled old Republican abandoned his cigar in a puddle of desk-top coffee and gazed moodily at the Washington monument whitening with each added sunbeam.

"What happened? I'll tell you what happened," he said, gesturing toward an untidy jumble of telegrams, teletype copy and crumpled sheets of pencilled figures on his desk.

"It's simple—the Democrats won the election. Kennedy won the election. Slice it, wrap it and tie it anyway you want to—the other side won."

He went on to make several observations of a collateral nature:

—One-party monopoly in traditional regions and states is beginning to crack. Republicans made some heartening inroads in the usually Democratic South and Democrats astonishingly established new footholds in what the traditionalists like to feel is rock-ribbed Republican New England.

—It is awfully hard to unhorse the majority in a time of international crisis. On balance, the Cuban difficulty and the manner in which President Kennedy met it worked to the benefit of Democrats.

—Seniority may be the law primeval of Washington, but not the provinces. Witness the defeat of Sen. Alexander Wiley of Wisconsin, seventh ranking in

Senate seniority and top-ranking G.O.P. member of the Senate Foreign Relations Committee. Also Senator Capehart, who has risen since 1945 to the top Republican spot on the Senate Banking and Currency Committee. Senator Wiley was licked by a Democratic hustler, former Gov. Gaylord Nelson. Birch E. Bayh, Jr., a Democratic state legislator, knocked Senator Capehart out of the box.

—The break-up of regional monopoly by one party was evident far beyond Republican capture of 11 House seats in the South. Perhaps more interesting was the extent to which Sen. Lister Hill of Alabama had to fight for survival against Republican James Martin, a Gadsden industrialist. Senator Hill barely



President's program will face continued resistance in Congress next year despite Democratic strength

squeaked by. Furthermore, the veteran Alabama Democrat had to campaign for the first time in 18 years.

To call the over-all results a victory for the President may be a bit subjective. It is true that Mr. Kennedy put more effort into the campaign proceedings than any President in modern memory. To the extent that Democrats essentially held their own in the House and picked up, at this writing, four Senate seats, the Administration might be regarded

Merriman Smith is the White House reporter for United Press International.

as victorious. After all, no party had accomplished the same off-year holding operation since 1934 when the F.D.R. magnetics were at their strongest.

One thing seems certain—Mr. Kennedy's program in the next Congress certainly should fare no worse than it did this year. In fact, the President's drive in behalf of some of his more controversial proposals such as the health care scheme and subsidies to education well might pick up added steam because of the November voting.

It was popular to assume immediately after the off-year balloting that the President would be overjoyed by the resounding victory of his younger brother, Edward (Ted), in his Democratic Senate race against Republican George Lodge. Naturally, Mr. Kennedy was pleased by Ted's showing, but addition of a member of the family to the Senate while the older brother occupies the White House could produce certain problems.

Automatic assumption that a 30-year-old man, even a Kennedy, will make a poor senator is invalid. It is just as erroneous to assume that because of his background and connections, Ted Kennedy will make an exceptional senator.

• • •

While the younger Kennedy did defeat Mr. Lodge rather handily, he did it with a massive, muscular and well financed organization which will not be at his side when he rises for the first time on the floor of the Senate. A question came up rudely in several sections of Washington while Ted Kennedy's campaign workers still cheered in Boston.

The possibly academic inquiry: "Who will be Ted Kennedy's chief adviser when he comes to the Senate?" He has a brother in the White House, another in the Justice Department. His political beliefs largely parallel those of his brothers. He is attractive, determined and seemingly fatigue-proof. This could make for a productive Senate career, but there are ranking Democrats who hope devoutly that Ted will be in no hurry to make his maiden address. Frankly, Ted Kennedy is an able, attractive young man, but many of his campaign speeches were somewhat oversimplified.

For example, the night before election, he told a highly charged audience that "all Democratic senators" supported the President's health care plan, while "all Republican senators" opposed it. Earlier in his campaign, young Kennedy properly had applied this division strictly to New England.

In the Senate, he'll have to be much more on target or suffer the pain of rather rude in-job training.

Some thinking New Frontiersmen (and this may be quite redundant since all New Frontiersmen are supposed to be great or, at least, active thinkers) wondered among themselves whether the Republicans would read the midterm election indicators in a manner to correct certain G.O.P. faults.

Not that New Frontiersmen want the G.O.P. faults corrected. Last month's voting, however, showed a

strong public surge toward the newer, brighter, younger faces on the Republican scene—particularly three who won major gubernatorial contests.

Nelson Rockefeller's victory in New York was expected, but equally impressive was the powerful emergence of William Scranton, the successful Republican gubernatorial candidate in Pennsylvania, and George Romney in Michigan.

While Messrs. Rockefeller, Scranton and Romney were devouring their Democratic opponents, out in California former Vice President Richard M. Nixon wrote himself out of the 1964 national running by failing to unseat Gov. Edmund G. (Pat) Brown.

It had been said of Mr. Nixon that in his heroic effort against Governor Brown, he was trying to make it one in a row. But he was soundly defeated and thus will be of little more than nostalgic interest to the Republican nominating convention in 1964.

Former President Dwight D. Eisenhower threw himself into the off-year campaign more than he ever did while occupying the White House. Naturally, Mr. Eisenhower wanted as many Republicans in Congress as possible, but his true purpose was much broader.

Quietly Mr. Eisenhower has been prodding other leaders of his party to come up with attractive, new and reasonably young recruits for G.O.P. office-seeking. The former President knows how the voters eventually become disenchanted with the same old faces.

He realizes, too, there must be a sizable injection of youth in the G.O.P. if there is to be successful challenge of the Brothers Kennedy in 1964.

Youth in Mr. Eisenhower's frame of reference does not mean the generation of Ted Kennedy, but it does mean Republican candidates of less than the far side of middle age.

Mr. Scranton is General Ike's idea of ideal material with which to combat the Democratic image.

It will be interesting to watch during the coming months how the still powerful Republican Old Guard reacts to vigor and newness of the Scrantons and the Romneys. An equally fine spectator sport will be the view of Messrs. Rockefeller, Scranton and Romney jockeying for presidential position in 1964.

Their problem will be simplified in one way. They no longer will have to take Mr. Nixon into consideration.

• • •

The President turns now to the time-consuming, but highly important discussions with department and agency heads as he puts together the budget for fiscal 1964 and his general legislative program for 1963. Health care will be back, as will aid to education. In the blush of midterm election victory, it would be easy to fall into a trap of expecting considerably better congressional treatment of Kennedy projects in the coming session than in the protracted deliberations of Congress this year. This, however, may not be the case.

Mr. Kennedy did pick up strength in the November voting, but whether it was enough to put across some of his more liberal programs in 1963 remains in doubt. And there the question will rest until late winter or early spring when the political arms build-up for 1964 will begin in earnest.

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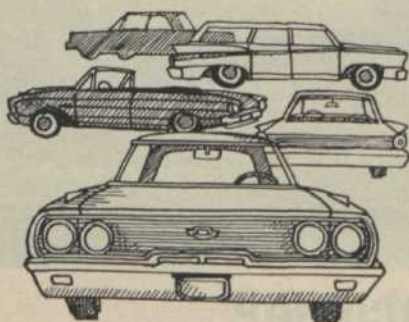
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American-style elections would help solve France's problems

BY FELIX MORLEY

AT FIRST GLANCE there seems no more than coincidental connection between our November election and the important balloting held almost simultaneously in France. In both countries, however, the voters were wrestling with the same fundamental political problem—how to give their chief executive power to cope with really urgent issues, and yet insure that this power is not exercised in a dictatorial or irresponsible manner.

Many Americans have no realization of the efforts made by the Founding Fathers to solve that problem for their posterity, which today is us. We give little consideration, and here our educational methods are much to blame, to the careful thinking applied to this issue during the drafting of the Constitution.

Yet the interest aroused by the off-year election does show an implicit understanding of its major purpose, which is to consolidate the President's power when people think he uses it wisely, and to curtail that power when they think he needs restraint.

The political confusion in France, where a very able people have never had a Constitution worthy of their talents, should serve to remind us of our exceptional good fortune. We owe much to the foresight of those who, in horse-and-buggy days, devised a governmental system that continues to serve so well in the thermonuclear age.



In June of 1958, when General de Gaulle took power, France had no government worthy of the name. The immediate reason was the multiplicity of political parties. By shifting coalitions these parties forced one prime minister after another from office, but never combined to keep one there.

In Germany, in 1933, a similar background had brought Hitler to power. Happily, the objectives of the two leaders were vastly different. Whereas the proclaimed aim of the Nazi dictatorship was to

replace representative government with a racist tyranny, that of de Gaulle has throughout been directed to the restoration of popular government.

But his procedures in the effort, especially in liquidation of the Algerian tangle, have unified the hostility of politicians from right to left, already angered by de Gaulle's downgrading of the National Assembly. Criticism has not been lessened by his practice of calling national plebiscites to confirm his acts. The most



Political confusion under French form of government emphasizes advantages of the American Constitution

recent of these, presenting his plan to have the President of France elected directly by the people, was also the first to be approved by less than a majority of the registered electorate.

While such a system of election seems natural enough to us it marks a complete break with the British system of parliamentary government, heretofore dominant in Western Europe. Under the British system the prime minister is the all-important figure. He must be himself not only an elected member of Parliament, but also acknowledged leader of the dominant

TRENDS: STATE OF THE NATION

political party. He holds this commanding office, however, only as long as he can rally a majority vote in the House of Commons for all legislation that he personally sponsors.

This very democratic procedure was never definitely planned, as was our contrasting method of electing the President for a fixed period. It has developed over several centuries, as the Parliament whittled away the originally absolute power of the monarch and broadened its representative basis by abolishing restrictions on the franchise. Yet this piecemeal evolution has suited the British people admirably and its success has caused it to be widely copied elsewhere.

It is impossible, however, for a republic to adopt the central feature of the British system, which is the retention of a hereditary monarch who reigns but no longer rules. To consider the present Queen, Elizabeth, as merely a ceremonial figurehead would be a great mistake. She is, rather, a symbol of national unity who stands above party and also helps greatly to bind the far-flung British commonwealth together. It is from the occupant of the throne that Prime Minister Macmillan received his formal mandate to govern, as, in due course, will his successor, no matter how different the latter's policies might be.

When the great nations of Western Europe finally overthrew their monarchs, in the case of France nearly a century ago, they modeled their new Constitutions on the British system of parliamentary government. The most difficult problem, which the British have cleverly finessed, was how to find a replacement for the nonpartisan role of the king. The procedure followed, with certain variations, was to substitute for the monarch an indirectly elected President who would have none of the power of the prime minister. He would be "chief of state" by contrast with the Premier's much more significant role as "chief of government."

The arrangement has never worked too well, since the European President lacks not only power, but also all those aspects of traditional distinction that appeal so strongly to the romantic in human nature. Nearly all of us, to illustrate, know that Konrad Adenauer is Prime Minister (or Chancellor, as the Germans call the office) of Free Germany. But relatively few could name the German President, who ceremoniously plays second fiddle as Adenauer calls the tune.

The historic significance of de Gaulle is that, so far as France is concerned, he is attempting to revolutionize the picture. On becoming President his first act was to assume the right of appointing the prime minister, thus reversing the significance of the two positions. Then he assumed the power to dissolve the National Assembly at will, which was done when it attempted to reject his plan of having his successor elected by nationwide popular vote. The election just

held, to replace the Assembly which de Gaulle arbitrarily dissolved, has shown that the opposition which he confronts is formidable.

We may feel flattered by the fact that de Gaulle is trying to move from the British conception of democratic government towards our own. He sees our President cemented into office for a term of four years, regardless of the opposition he may arouse, and feels that some such protection is necessary for strong government. Whether de Gaulle appreciates the importance of the two-party system in this arrangement is more questionable.

But it is to be remembered that the immunity from overthrow accorded our President is carefully balanced by a powerful Congress. This legislative check, moreover, can come from either one of two distinct chambers—the House of Representatives, designed to voice the popular will, or from the Senate, presumed to be especially interested in protecting the large degree of self-government granted by the Constitution to the States. There would be less French criticism of de Gaulle if he had ever indicated that he would eventually like to see, in Paris, a representative Congress with powers similar to our own.

Even friends and admirers of the general are saying that he risks moving France into the unenviable situation that dominates in many Latin American republics.

They have, for the most part, patterned their governmental systems on ours. But, with honorable exceptions, the electorate has been indifferent and the legislatures have consequently become incompetent and even venal. That has made it easy for Latin American Presidents to make themselves dictators, regardless of written constitutional safeguards.

No Constitution, no matter how admirable in theory, can of itself insure good government. It must, first of all, be suited to the temperament and training of the people for whom it is written. And it must, in the next place, be understood and held in respect by them.

Until recently it could be said that the Constitution of the United States filled both requirements. As shown currently, it has not prevented the President from taking a positive and resolute stand when circumstance demanded. Nor, on the other hand, has it suppressed the objective criticism and legislative opposition which are the hallmarks of a free system.

As the political troubles of France emphasize, governmental success is not attained by copying the principles of other countries, no matter how well they may work in an alien context. Nor is it enough to think that the political traditions of one's own country can be kept vital merely by the popular excitement of an election contest.

After this excitement is over, and when a great crisis has been surmounted, is the time to think soberly and deeply about the inner meaning of our governmental institutions. Unless this is done, quite widely, they are not likely to survive as planned.



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so low that a quantity user can buy them for less than a penny apiece. In the things you buy or make, take the clue from your keys. Copper metals are strong, lasting and easy to fabricate—and a little copper goes a long way.

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PREVIEW '63

World economy priming for new surge

Economic analysts with globe-circling research group predict trends in Europe, Asia, Africa, other regions

YOUR BUSINESS will feel the impact of changing international economic conditions in the year ahead.

Even if cold war dangers are discounted, other fast-moving developments in world markets pose major challenges to American businessmen.

In some parts of our troubled globe U. S. companies will find rewarding opportunities for expansion in 1963; in other areas circumstances will make foreign ventures risky and even unthinkable. Also to be considered will be the strong pressure of imports from abroad and their bearing on the profit position of American firms.

To bring these mixed economic and political trends into focus, NATION'S BUSINESS asked The Economist Intelligence Unit of London to prepare a region-by-region forecast of world business for 1963.

The forecasts begin on the following page with an over-all view of international business expectations by Geoffrey S. Browne, managing director of the Unit. Five regional forecasts—covering Europe, Latin America, Asia, Africa, and Canada-Mexico—follow.

The Economist Intelligence Unit is the world's largest private international economic research and forecasting organization. Under an exclusive arrangement with NATION'S BUSINESS, its staff makes quarterly reports to our readers on world business prospects and their relation to U. S. business. The Unit is associated with, but operates independently of, the *Economist* of London, one of the world's most respected periodicals.

In the EIU's headquarters some 200 highly trained economic specialists sift and evaluate daily reports received from 1,000 Unit economists and consultants stationed in all parts of the free world. Its clients include many of the world's largest industrial organizations—some of them American—as well as numerous governments.

WORLD-WIDE: Springboard to brighter future



GEOFFREY S. BROWNE has been managing director of the *Economist Intelligence Unit* of London since 1947. Author of two books on British economics, he is an internationally recognized authority on the European Common Market.

EXPANSION in the major industrial countries is crucial to the growth of international trade and of the world economy in 1963.

Those who foresee the beginning of a world recession next year are too pessimistic. Potential dangers are plentiful. There could be a recession in North America; and the effects might be multiplied by anti-inflationary policies in some European countries now reaching the limits of productive capacity.

But a conjunction of these factors in sufficient force to plunge world trade into the doldrums is most improbable. Sophisticated techniques for combating recession plus progress towards wider free trade should form effective insurance against a major setback. Next year is likely to provide a searching test of how effectively such instruments can be used.

Even if 1963 itself is disappointing, it should be the springboard for a brighter future.

Biggest challenge to U. S.

How to achieve faster sustained growth is clearly the major economic question the United States will face in 1963.

Whether recession develops may depend heavily on the fate of Presi-

dent Kennedy's tax-cutting proposals. With the economy likely to be slacker in early 1963 than when a tax cut was first seriously debated, Congress could be jolted into support of the measure, unless international tensions interfere.

Next year's economic prospects in other industrial countries look more encouraging. The predictable rate of growth is higher—in Western Europe much higher—than it is in the United States.

For the American businessman two points to watch in Europe are the pressure on capacity and costs, especially labor costs, and the strength of consumer demand.

The European businessman, however, is apt to look at less encouraging aspects of the picture. Europe will be growing fast but not, in general, as fast as it has this year. In Japan, too, import demand is likely to rise but Japanese exports may feel the chill of any slowdown in America.

All this points to a slightly slower expansion of trade among the industrial nations next year, and of their imports from underdeveloped countries. The prospect could improve if rapid strides were taken toward the reduction of trade barriers, and toward an increase

in world liquidity. Here some major developments are in the offing.

The first, of course, is Britain's probable entry into the European Common Market. Despite many hurdles still to be cleared, Britain could be in the Common Market early in 1964. Denmark, Norway and Ireland would probably enter soon afterward. Formal tariff reductions would have to wait on entry but a burst of trade among these new members and the existing countries of the European Economic Community could develop as soon as agreement is reached—probably early next year—as it developed in the EEC in 1958.

New U. S. trade policy

Of more far-reaching importance are the possibilities centering on the U. S. Trade Expansion Act. Hopes hung on this measure for freer trade among all industrial nations are unlikely to be fulfilled in 1963. Preparatory work is necessary both in the U. S. and in Western Europe before detailed bargaining can begin.

More important, Europe is preoccupied with negotiations on Britain's application to join the Common Market while British entry is a precondition of the President's authority to offer the EEC reciprocal elimination of tariffs on major industrial goods. But the free trade ball is rolling, and a careful appraisal of new U. S. export opportunities that may result—and possible points of increased import competition—are priority items.

Lower barriers to international trade could release considerable expansionary potential. This, in turn, might increase the strain on the world's reserve currencies—the dollar and the pound sterling—for the world depends, to a great extent, on the willingness of the U. S. and Britain to run balance-of-payments deficits to expand the over-all financial resources available to back growing trade.

This system has looked increasingly unsatisfactory of late. It bears hard on the U. S. and Britain without insuring a sufficient expansion of world liquidity. Early, comprehensive reform is desirable; actual improvements are likely to come gradually.

Proposals by U. S. Treasury Under Secretary Robert V. Roosa are modest steps in the right direction. They should, if implemented, be sufficient to avert any major currency crises next year. But they will bring little relief from the topsy-turvy tendency to adapt do-

mestic policies to the restrictive dictates of the international payments system rather than to adjust the system to allow more vigorous expansion.

International financial reform is needed not only to lubricate freer trade but to permit rapid domestic growth, and so to sustain the hoped-for development of the world economy in the second half of the 1960's.

Commodity crisis

What happens to the industrial nations next year, and the year after, is a matter of ifs and buts, since the outcome depends so significantly on policy decisions still to be made. The situation of the primary producers of Asia, Africa and Latin America is much less ambiguous. Almost without exception, their reserves have been steadily dwindling in relation to their import needs.

Their predicament is illustrated by the price trend of the commodities they export. Taking 1952 as 100, the index of world commodity prices dropped below 75 in the autumn of 1962. No great improvement in the general level can be foreseen next year.

These countries have been hit by the development of synthetic substitutes. They have also been hurt by increased efficiency in processing methods. Rising demand for manufactures has not been matched by an increase in raw material needs.

The situation is aggravated on the supply side by the fact that the great majority of primary producers rely for their export earnings on

only one or two products. This has meant in many cases a rapid and uncontrolled expansion of output. Often, therefore, a country's earnings from exports of primary products remain stationary or even drop despite increases in the volume of shipments.

This depressing pattern has sparked a renewal of interest in international commodity agreements. A new international coffee agreement has just been reached and awaits ratification, while there is a chance of agreement between the world's main cocoa producers. How effective these combinations will be remains an open question. In any case they are unlikely to have much impact in 1963.

If the poorer, primary producing countries cannot finance their imports by stepping up their export earnings, they can only hope to do so through more aid. This year the flow of long-term capital to the underdeveloped countries will probably reach \$10 billion. Noncommercial grants and similar contributions, which usually account for more than half the total, are becoming more necessary to underdeveloped nations shouldering increasingly burdensome foreign debts.

Prospects unpromising

Unfortunately, the prospects for an increase in this type of aid in 1963 are not promising. The resources of the International Development Association, the soft-loan associate of the World Bank, are expected to run out next year; Congress's foreign aid appropriations

have been kept at the same level as in 1962, while there is not likely to be much change in the total outflow from Western Europe. West Germany may give more, France less, and Britain about the same.

For most of the less developed countries, therefore, 1963 will bring little or no improvement, although the regional surveys which follow show that there are exceptions. Not only will trade be sluggish, but basic developments as well. More trade is the key to economic growth in these countries.

Clearly, the future of the underdeveloped countries hangs on the achievements and policies of the industrial nations. The two groups are economically interdependent. There are political issues at stake as well, which underlines the importance of faster progress in Latin America, Africa and Asia. If the governments of the developing nations become frustrated in their attempts to raise living standards, they may be tempted to lean more heavily on the communist bloc both for economic support and for political ideas.

In sum, immediate prospects for 1963 are not encouraging—slower growth among the advanced nations and, because of this, increasing difficulties for the underdeveloped. Yet the year ahead promises new efforts to tackle fundamental problems in world trade and signals concrete, if limited, advances on some fronts. In this context, 1963 could be a turning point, marking a fresh start on the path of expansion and progress.

EUROPE:

Rapid growth likely in last half

WILL 1963 mark the end of the West European boom?

In the Common Market countries there has been continuous rapid growth since 1958. Elsewhere expansion has been slower, though fairly steady. Britain has been the only real laggard. But, in most countries, real output appears to have grown less this year than last.

Manufacturers generally expect
(Continued on page 71)



MISS A. D. MONROE, manager of the West European and Communist Bloc Department of EIU, was the leader of two teams which produced published studies on Britain's economic ties with Europe

Nation's Business survey shows **WHAT EXECUTIVES EXPECT**

Businessmen in a cross section of major U. S. companies
forecast trends that will shape economy in coming year

TOP MANAGERS of American business are moderately hopeful about the year ahead.

A new survey by NATION'S BUSINESS indicates that 60 per cent of the nation's corporate leaders expect business in 1963 to continue at about the same level as this year. Twenty-two per cent forecast a decline and 18 per cent look for a spurt in economic activity.

More than half of the executives responding from a cross section of business and industry are presidents of their companies. The replies were based on the assumption that there will not be a war.

Cost pressures and widespread lack of confidence stemming from government's policies toward business are blamed by many high-ranking executives for their cautious evaluation of prospects. Some foresee a mild recession in the early part of 1963, followed by a recovery trend toward the end of the year.

Here are other highlights from the survey:

▶ Sixty-seven per cent expect employment in their companies to remain at about present levels through 1963; 20 per cent predict an increase.

▶ Fifty-two per cent believe their profit per dollar of sales will remain about the same through the coming year.

▶ Twenty per cent indicate they

would probably spend more for capital improvements if taxes were reduced in 1963.

Many executives who say they expect business to improve next year tie this expectation to the possibility that individual and corporate income taxes will be cut.

"I believe 1963 may see some reductions in taxes and, if so, this would be a powerful stimulus toward improved business," comments the president of a South Carolina manufacturing concern.

R. Carl Chandler, board chairman of Standard Packaging Corporation of New York, says he anticipates business improvement in 1963 as a result of "greater consumer spending, increased government spending and improved capital goods demand."

Caution was prevalent in the survey replies, however.

Carlyle F. Barnes, president of Associated Spring Corporation of Bristol, Conn., says he expects a business decline in 1963 because of spotty demand. M. J. Warnock, president of Armstrong Cork Company, Lancaster, Pa., comments: "We believe the current business cycle will reach a crest in 1963, trailing off slightly toward year end. The year as a whole, however, will be slightly above 1962." A Milwaukee manufacturer predicts a slump in 1963, chiefly attributable to "lack of confidence in the Administration."

Here, in more detail, is an analysis of the survey replies:

Sales outlook

As is often the case, most businessmen tend to take a more optimistic view of the sales prospects for their own businesses than for the economy as a whole.

Sixty per cent of the more than 225 business leaders responding predict that sales of their companies will rise in 1963.

Thirty-five per cent expect their sales to remain at about current levels; five per cent predict a decrease.

Among executives who say they expect sales to remain about the same is A. J. D. Enna, economist for Lukens Steel Company. Mr. Enna reports that he looks for "a recession in the first part of the year, recovery in the second part and, on balance, about the same (volume of business) as 1962."

Forecasts of rising sales come from companies in such lines as trucking, apparel retailing and wholesaling, insurance, banking, gas and electric utilities, printing and mixed manufacturing.

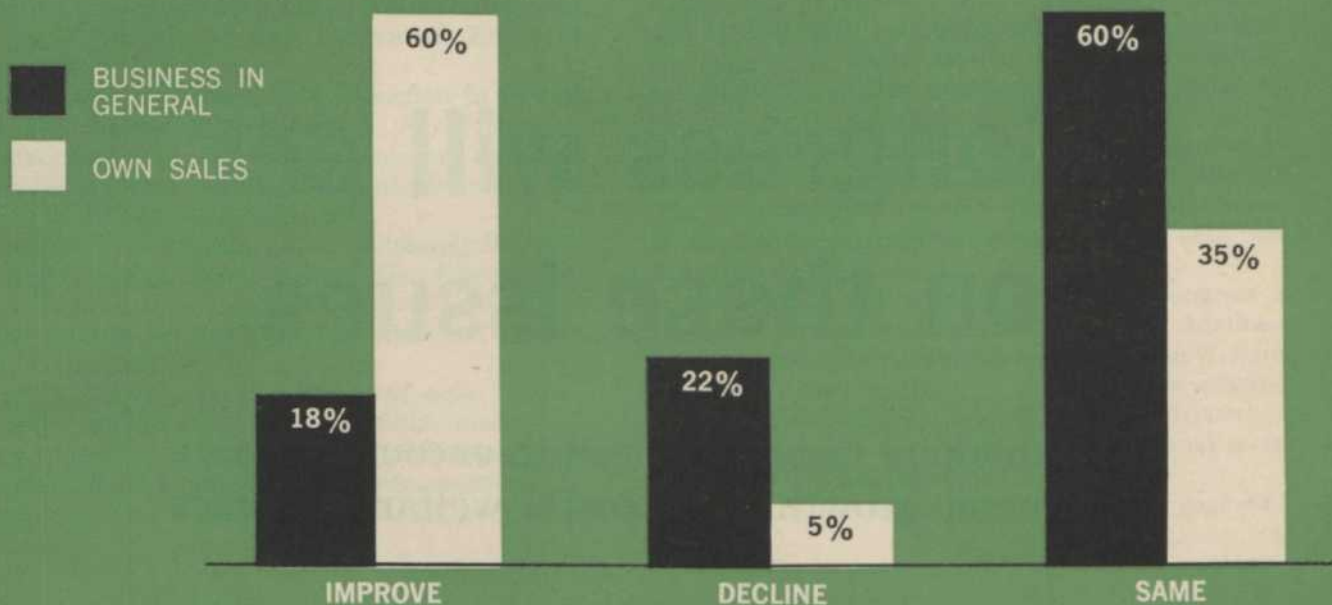
Employment

On the subject of jobs the survey turned up these indicators:

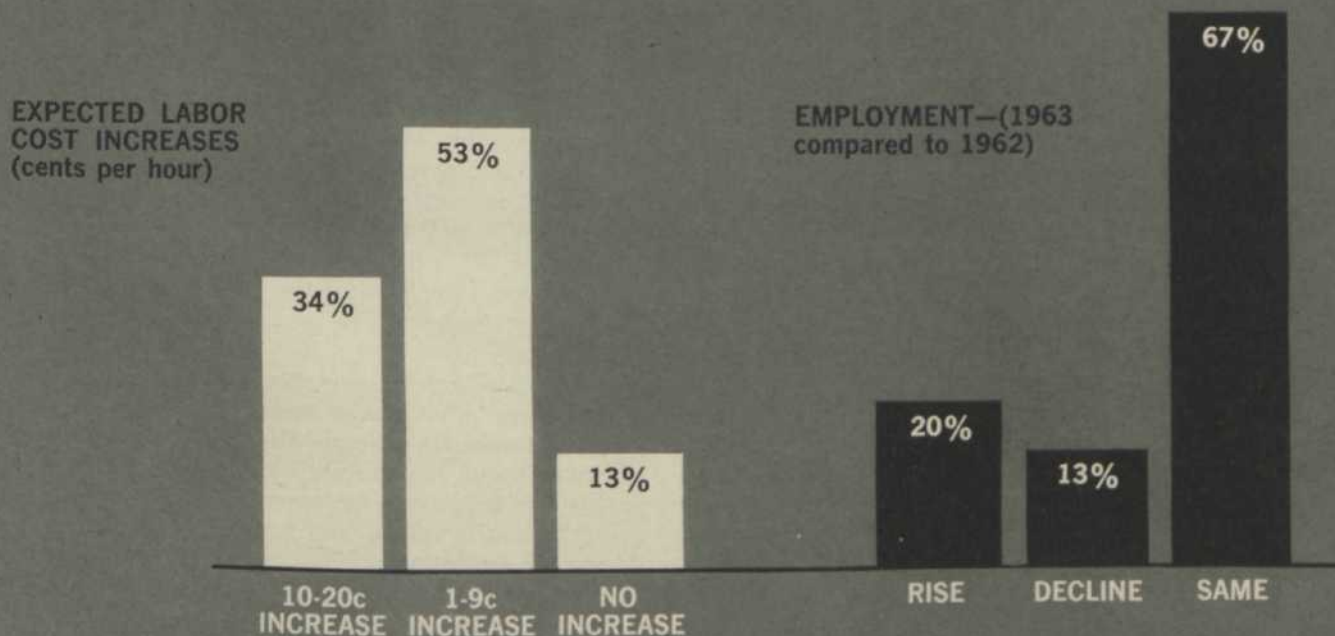
Sixty-seven per cent of the executives predict employment in
(continued on page 46)

OUTLOOK FOR MAJOR INDICATORS

Here's the percentage of businessmen expecting a rise, decline or a steady level for the whole economy, and for their own companies



How executives' predictions were divided on the expected trend in their companies' labor costs, and number of jobs they can provide



Congress will act on these issues

Lawmakers recognize need to encourage more economic growth, shun costly welfare schemes

WHETHER WORLD TENSIONS rise or fall, money issues will most likely claim top congressional attention in the months ahead.

Increases or decreases in taxes and spending will partly depend, of course, on whether, at the particular time of legislative decision, international stress or the domestic economy has priority rating in the minds of lawmakers.

Barring war, two rather shopworn but key issues of past Congresses also will be pushed with new vigor: federal subsidies to education and government-run health care for the aged.

These four issues: tax changes, federal spending, education, and health care are ranked highest in importance by the newly elected members of the Eighty-eighth Congress. NATION'S BUSINESS questioned candidates for both the Senate and House of Representatives before election to find out what they would push in the coming Congress. Senators now serving were also queried.

Their replies showed that as many members want domestic spending reduced as want federal health care or federal aid to public schools, teachers and colleges. Most frequently mentioned was the need for tax reduction and reform.

Even when international tensions are high, domestic legislation is not ignored. During the tense summer and autumn months last year when the shadow of war was cast over Berlin, Congress saw fit to pass non-defense measures ranging from federal grants to combat juvenile delinquency to a program for eradication of hog cholera to establishment of a national seashore park on Cape Cod.

In a relatively relaxed foreign situation a big tax cut program seems likely to win approval. President Kennedy promised to recommend tax reduction in individual and corporation rates and various changes in other sections of the tax statutes.

Typical congressional views of top issues are these:

Sen. Philip Hart, a liberal Michigan Democrat, says, "Barring the unforeseen, tax revision with special emphasis on reduction in taxes on personal income in the middle and lower income brackets" will have his strong support.

Rep. James A. Burke, a Massachusetts Democrat on the tax-writing Ways and Means Committee, says he favors a cut in corporate and individual taxes, but the international situation would have "a great bearing on congressional action."

Sen. Gordon Allott, Colorado Republican, describes "The most important measure" as "a complete overhaul of our tax structure, looking toward economic growth through stimulation of our private sector."

Senate Majority Whip (Assistant Leader) Hubert Humphrey of Minnesota lists a tax cut at the head of the measures he will be backing in the Eighty-eighth Congress.

The dual concern over taxes and aid to education finds some advocates of measures dealing with both areas at once. For example, Rep. Richard S. Schweiker, Pennsylvania Republican, wants to pass a bill to provide tax deductions for parents paying the expenses of children in college and for students working their way through college.

Other members would help pay older citizens' medical expenses through tax changes. For instance,

Durward G. Hall, Missouri Republican, says he will be plugging for a tax bill to "increase the ability of our senior citizens to meet medical costs through change in our tax structure," such as deductions or credits.

Replies from many Republican members followed this list of priorities of Rep. Clarence J. Brown of Ohio:

"1. A balanced budget. 2. A reduction in federal taxes after balancing of budget. 3. A reduction or elimination of waste and extravagance and reduction of the continuation of centralizing of power and authority in the federal government."

Government economy is not an exclusively Republican goal of course. Newly elected Rep. John Marsh, Jr. of Virginia, for example, lists a balanced budget as first priority for next year with limits on "bureaucratic expansion."

Rep. O. C. Fisher, a Texas Democrat, says: "I think the next Congress would serve the public interest better by providing adequately for our national security and then dedicate itself to economy measures designed to achieve a balanced budget. In order to do

this I think the Congress should defeat such measures as the medicare proposal, the federal aid to education proposals and all new welfare measures that are not absolutely essential."

The health care proposal is a Kennedy Administration plan to provide a limited program of hospital and nursing home care for persons 65 and older who are eligible for social security. The social security tax on employers and employees would be raised to help pay for the benefits.

The health care battle was one of the biggest Administration losses in the Eighty-seventh Congress. The measure never reached the floor of the House. In the Senate, a compromise version of the plan was beaten 52 to 48.

The election last month brought into Congress a few more proponents of health care. A key Administration sponsor, former Health, Education and Welfare Secretary Abraham Ribicoff, is now a new senator from Connecticut. He told NATION'S BUSINESS "health insurance for the elderly under social security" was his prime legislative aim.

But many candidates (continued on page 83)

FOUR ISSUES RANK HIGHEST IN IMPORTANCE BY THE NEWLY ELECTED MEMBERS OF THE EIGHTY-EIGHTH CONGRESS

TAX CHANGES

Tax cuts, both in individual and corporate rates, are cited most often as top priority legislative goal next year

FEDERAL SPENDING

Many lawmakers believe spending is much too high, that expenditures must be lowered to match tax cuts

EDUCATION

Federal grants for school buildings, teachers' salaries, college scholarships and facilities still have support

HEALTH CARE

Many members are pledged to back hospital care for aged under social security, which lost out last year

WHITE HOUSE LABOR POLICIES FACE TESTS

What Administration does will affect trend toward intervention and wage-price controls

BUSINESSMEN should get a better idea next year how close we're getting to price and wage controls.

The Kennedy Administration's bold adventure in wage-price intervention faces growing criticism and will likely undergo new tests at the bargaining table and in Congress.

Will the intervention go deeper and spread?

Or will the Administration retreat from the trend which highlighted its labor policies during its first two years in office?

A number of factors will influence the outcome, which will have a bearing on all business.

Important wage negotiations will take place in two key industries which until this year have been noted for their differences with respect to government intervention. They are basic steel and electrical manufacturing.

The two-year steel labor agreements which were the basis for President Kennedy's crack-down on proposed steel price increases last April are reopenable Aug. 1 on wage rates, pensions and insurance.

The United Steelworkers have indicated they will ask for a wage increase, having settled this year without a direct wage boost, although fringe benefits were increased at a cost to steel companies of 2.5 per cent during the first year.

The demand may be in the form of a reduction in the workweek from 40 to 32 hours, with no reduction in wages. The union is not in a position at this time in the steel industry to press for the three-months vacation every five years (after 15 years of service) which it recently

obtained from major can companies, but the sabbatical could become an issue in other industries.

David J. McDonald, president of the Steelworkers, hailed the extended vacation plan as "a significant advance toward our union's objective of full job and income security in the industries where we hold bargaining rights."

R. Conrad Cooper of United States Steel Corporation, chief labor negotiator for the industry, deplores intervention by the government and promulgation of wage-price guidelines in the name of preserving the public interest.

"I don't think it does," Mr. Cooper says. "I believe it points in the direction of a government-controlled economy with loss of freedom."

While steel is noted for frequent White House intervention and frequent and long strikes, electrical manufacturing has been largely free of these problems, mainly because of the strong resistance to intervention by the General Electric Company.

A showdown between GE and the International Union of Electrical Workers seems unavoidable when the three-year labor pact runs out in September. One of the big issues will be compulsory union membership.

For many years, GE has successfully resisted union demands to force its employees to join or support a union. The IUE has vowed to win the union shop despite recent unsuccessful attempts by stronger unions in aerospace plants.

Where the Administration has been able to get both sides to go along, it has appointed fact-finding boards outside of the Taft-Hartley labor law and asked them to make recommendations for

settlement of disputes. Government panels tend to favor compulsory union membership.

But GE is not expected to agree to any government panel, which would force the White House to invoke the Taft-Hartley 80-day injunction in the event of a critical shortage. Taft-Hartley panels may not make recommendations.

The prospect of this development could spur Administration requests to Congress to amend the Taft-Hartley law to give the President more flexible authority in coping with national emergency disputes, including authority to ask for recommendations from fact-finding boards.

A crisis developing on the railroads over union refusal to accept recommendations of a presidential commission for modification of costly work rules may result in action by Congress. Sentiment is increasing for curbing strikes in railroad, airline and shipping industries. Several proposals have been introduced in Congress, some calling for compulsory arbitration.

An element which may tend to lessen White House intervention is the elevation of Secretary of Labor Arthur J. Goldberg to the Supreme Court. His successor, W. Willard Wirtz, will not

be as quick to jump into a labor dispute, and will not jump in as frequently as did Mr. Goldberg.

Unlike Justice Goldberg, who as attorney for labor unions came from a background of highly controversial collective bargaining fights, particularly in steel, Mr. Wirtz comes from the academic, government and arbitration fields. He will show more interest in other Department of Labor activities, particularly in manpower retraining and other unemployment problems.

Top-level Administration intervention already has, in the opinion of experts, undermined free collective bargaining, the ability to reach agreement at lower levels, and the effectiveness of government mediation services prescribed by Congress.

Why settle?

Regular federal mediators are busier than last year, spending more time on individual disputes, but with less effect. Strikes and their impact are running higher in number, workers involved, and working days lost by strikers.

"A smart union leader is less likely to settle with the boss back (continued on page 59)

These men will influence labor outlook

R. Conrad Cooper, top steel industry negotiator, deplores U.S. wage-price intervention, doubts it helps protect public

W. Willard Wirtz, secretary of labor, will be man in the middle, but he hopes not as often as he has in the past

David J. McDonald warns that the union he heads will push hard to spread income security gains won this year



WIDE WORLD, UPI

WHY RUSSIA LIES

AMERICA, shocked by Russian lies in the past, can expect more of the same in the future.

Deception is a way of life for the communist. It can be safely predicted that lies will play a part in Russian maneuvers involving such questions as Berlin access, disarmament, nuclear testing, and disputes as yet unforeseen.

President Kennedy's exposure of the duplicity masking the Russian missile build-up in Cuba gave Soviet leaders their due as worthy heirs of Lenin and Stalin.

Soviet Foreign Minister Gromyko's assurance that his government had not and would not put offensive weapons in the Western Hemisphere—which American intelligence had proved false—faithfully followed Stalin's precept:

"A diplomat's words must be divorced from action—otherwise, what kind of diplomat is he? Words are one thing, actions

quite another. Fine words are a mask to conceal bad deeds. A sincere diplomat—that is like dry water or wooden iron.”

“This duplicity in Soviet foreign relations has been a continuing menace to the nations of the free world for over 40 years,” declares a U. S. government report devoted mainly to one consistent aspect of Soviet behavior: treaty violations.

But Russian deception also takes the form of poison pen forgeries, truth-twisting propaganda, wholesale rewriting of history, press censorship and distortion, and general double-dealing during wars hot and cold, through freeze and thaw, from Lenin to Khrushchev.

Targets are the Russian people themselves, the satellites, neutral nations, the Western allies and the United States, proving that deception is not a lapse of Soviet behavior or an expedient born of desperation but a basic tool of domestic and international dealings.

Even U. S. deluded

The record of Soviet deception is endless.

Despite its exposures it can still make itself felt even in the United States.

By persistent repetition, the Soviets are able to portray Russian missiles in Cuba as a parallel response to Western bases in Turkey, circumventing, somehow, the fact that NATO was established as a wall against further postwar Russian aggression in Europe, an attempt to balance the massive Soviet ground strength poised within striking distance of America's allies.

Richard Helms, assistant director of the Central Intelligence Agency, has detailed instances of false news stories, forgeries, fabricated intelligence reports and documents by the Soviets.

“We found that each Soviet forgery is manufactured and spread according to a plan,” he told Congress. “Each is devised and timed to mesh with other techniques of psychological warfare in support of Soviet strategy. Our analysis showed three main purposes:

“The first is to discredit the West generally, and the United States and its government specifically, in the eyes of the rest of the world.

“The second purpose is to sow suspicion and discord among the Western allies, especially between this country and our friends.

“The third purpose is to drive a wedge between the peoples of nonbloc countries and their

(continued on page 76)

**У дипломата
слова должны
расходиться
с делом—иначе
какой же он
дипломат?**

“A diplomat's words must be divorced from action—otherwise, what kind of diplomat is he?”

—STALIN

A LOOK AHEAD by the staff of the

Milk laws to be issue

(Agriculture)

What mortgage market needs

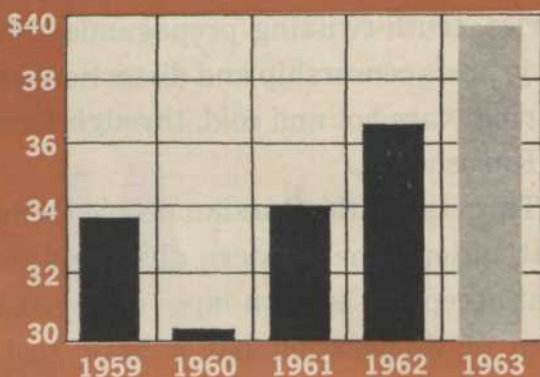
(Construction)

How to meet competition

(Marketing)

How nondefense spending is rising

In Billions



AGRICULTURE

New legislation for the dairy industry is high on the priority list for agriculture in the coming Congress.

The widening margin of milk production over commercial demand under the price-support program accounts for increasing government purchases of butter and other manufactured dairy products.

One new proposal already announced would provide for compulsory government controls, with compensatory payments to achieve established income objectives.

Sen. Allen J. Ellender, Louisiana Democrat, proposes "as a starting point for discussion" a plan which would lower the support price as much as necessary to discourage the production and marketing of milk in excess of requirements.

At least one producer organization favors assigning each producer within areas covered by federal milk marketing orders a protected share of the milk required for drinking purposes, which draws a higher price. These areas produce about 45 per cent of the U. S. supply of milk.

If the Michigan Milk Producers Association's recent opinion poll is representative, dairy farmers themselves are a long way from agreeing on a solution. The poll shows, however, that they don't want a compulsory program.

COMMUNICATION

Beginning January 7, 1963, busi-

nessmen can expect increases in their postal expenses which will total about \$480 million a year, or about 20 per cent.

These increases are the result of postal legislation passed in 1962 and aimed at doing away with the postal deficit.

Here are the major changes:

First-class letters and cards will be increased to five and four cents respectively, while the air-mail rate will be increased to eight cents.

For second-class mailings outside of county of publication, rates on nonadvertising content will be subject to a three-phase annual four per cent increase; advertising matter, three annual 10 per cent increases. The minimum per copy rate of one half cent on publications will also be increased in three annual installments to one cent. Free in-county mailing will be eliminated.

Third-class mail, 80 per cent of which represents bulk mailings, will be increased from 16 to 18 cents per pound, and the minimum per-piece rate will be increased from 2½ cents to 2⅞ cents. Single-piece third-class mail (circulars and advertising mailed singly) will go from three to four cents for the first two ounces.

CONSTRUCTION

The 1963 performance of the mortgage market will depend largely on the ability of the Eighty-eighth Congress to pass a tax reduction law speedily.

During 1962, despite good de-

mand resulting from increased volumes of residential construction, the mortgage market softened, with gradual decreases in yields.

This disappointing performance reflected the generally downward pressures in other capital markets resulting from the unsatisfactory level of general business activity. The good rise in residential construction was not enough to counter such heavy pressures.

The patterns of the past year are likely to continue well into 1963 unless vigorous measures—including tax cuts—are taken to stimulate general business activity.

CREDIT & FINANCE

The recent flurry of financial institution studies produced three major recommendations which appear strong contenders for legislative action in the next Congress. They are:

1. A proposal for a Federal Banking Commission, set forth by Federal Reserve Governor J. L. Robertson. Such an "FBC" would assume all bank and bank holding company supervisory powers.

2. Proposals by the Comptroller's Advisory Committee on Banking advocating transfer to the comptroller of all supervisory, examination and regulatory authority relating to national banks; transfer to the FDIC of all supervision, examination and regulation of state-chartered banks; transfer of the FDIC's functions to the Treasury and placement under a single ad-

Chamber of Commerce of the United States

ministrator; and divestiture by the Federal Reserve Board of all non-monetary functions.

3. Proposals by the FDIC for annual FDIC examination of all banks whose deposits it insures; reduction to one examination a year of national banks by the comptroller under an alternating examination arrangement; and elimination of Federal Reserve responsibilities for regular examination of state-chartered member banks.

FOREIGN TRADE

At the earliest, tariff cuts under the new Trade Expansion Act would go into effect in 1964 and the full effect would be stretched over five years thereafter.

To obtain trade concessions from other countries, the United States must offer tariff reductions on imports in return.

The new law contains many conditions imposed by Congress on the President's use of the negotiating authority. Prenegotiation safeguards for domestic producers call for extensive investigations into the probable impact of tariff modifications. Investigation may result in deletions from the "offer" list.

Moreover, articles on which an escape clause or national security action is in effect are automatically reserved from further tariff reduction.

Postagreement safeguards include the traditional escape clause provision for withdrawal of concessions or imposition of import restrictions for the relief of domestic industries injured by increased imports.

GOVERNMENT SPENDING

Despite Cuba and other military problems, the Administration will evidently renew its campaigns for increased nondefense expenditures in the fiscal year 1964 budget.

Many members of Congress have called for a harder priority test for nondefense programs in light of the international situation. These problems, coupled with the stated necessity for tax reduction, have gained support for this viewpoint. However, a high Treasury official says: "Reduced taxes next year, by

swelling consumer disposable income, will increase aggregate demand. This increase will be reflected in new orders, increased production, and increased investment. The economy will move closer to full employment. But this desirable effect would not occur if, as taxes decreased, the government's contribution to aggregate demand were lowered by a compensating reduction in government outlays."

Early indications are that latent public opposition to many spending proposals is likely to become clearly manifest in the new Congress.

LABOR

Whether Labor Secretary W. Willard Wirtz carries out predictions that he will be more selective in handling labor disputes will be highly significant. Only by backing away from the extra-legal authority often assumed by some past secretaries and by allowing the Federal Mediation and Conciliation Service to fill its role can the will of Congress be complied with. (See page 38.)

In the 1947 Taft-Hartley Act, the old Conciliation Service of the Department of Labor was abolished and there was "created an independent agency to be known as the Federal Mediation and Conciliation Service."

This reform transferred to the intended independent agency "all mediation and conciliation functions" of both the secretary of labor and the old Service.

Unfortunately, some employers and labor leaders have at times encouraged the secretary to disregard it by asking him to mediate disputes.

MARKETING

The rapid pace of change in marketing techniques is honing business competition to a razor edge.

Noting this, a department store leader recently warned: To survive, independent department stores must move into high gear.

He urged independents to add new services and facilities, to move into new fields, to branch out—grab a bigger share of consumer spending now going to mass-merchandisers. "If we do not expand," he

cautioned, "our competition will fill the vacuum."

Specifically, he proposed adding such services as general insurance, travel clubs, automobile financing.

He also urged department store management to experiment with coin-operated dry cleaners, auto service centers, rentals of home appliances, typewriters, garden and camping equipment—even fur goods.

NATURAL RESOURCES

Businessmen and local, state and federal government officials will be attending a National Air Pollution Conference, in Washington, D. C., December 10-12, sponsored by the U. S. Department of Health, Education and Welfare.

Ostensibly, the purpose is to discuss progress made in air pollution abatement since the first National Air Pollution Conference in 1958, and how this progress can be accelerated. The underlying question is how those responsible for air pollution abatement can be made to assume their full responsibility.

Unlike water pollution, where streams may carry the pollution across state lines, air pollution is pretty much a local problem and responsibility. State laws may be necessary to prevent a municipality from polluting its neighbors. The few instances of interstate pollution could be solved by interstate compacts. Broad federal action is unnecessary.

TAXATION

Must tax reduction await reduced federal expenditures? Assistant Treasury Secretary Stanley S. Surrey, a top Administration tax adviser, says "no."

"While necessarily budgetary demands must play their proper part, this does not mean that tax rates can not be reduced next year unless there is an equivalent cut in federal spending," he says. "Indeed, the effectiveness of tax rate reductions will be lost from the short run point of view if they are accompanied by matching reductions in expenditures, even assuming such expenditure reductions were possible—which they are not."

EXECUTIVES EXPECT

continued from page 36

their companies will remain at about present levels through the new year.

Twenty per cent—including officials in retailing, insurance, printing machinery manufacturing and steel—forecast a rise in employment.

Declining payrolls are foreseen by 13 per cent of the executives.

Price plans and profits

Asked "Do you plan to raise your prices in 1963?" seventy-one per cent of the executives answered "no."

Fifteen per cent indicate they expect increases.

Eight per cent say they may lower their prices.

The remainder declined comment or gave other answers, some expressing uncertainty.

Plans for increases are indicated by executives in trucking, manufacturing and other lines. Insurance company spokesmen predominate among those who say they might lower prices. T. A. Bradshaw, president of Provident Mutual Life Insurance Company, says "The net cost of our insurance may be somewhat lower if interest rates remain reasonably firm."

The executives were asked if they expect their profit per dollar of sales

in 1963 to improve over 1962, decline, or remain about the same.

Fifty-two per cent say they expect it to remain about the same; 35 per cent anticipate improvement and 13 per cent look for a decline.

The president and board chairman of a New York manufacturing concern links his anticipation of improvement to "new, more efficient plant replacing oldest, highest cost plant." Another president, in Philadelphia, looks for profit improvement—"assuming price improvement."

Improvement is expected by officials in electronics, tank car manufacturing, trucking, retailing and insurance. Among those anticipating a decline are spokesmen for firms in steel, wood pulp and chemical processing, banking, and parts manufacturing.

Labor cost outlook

Only 13 per cent say they do not expect any increase in labor costs, including fringe benefits.

Of those indicating they do expect an increase, the largest single group expected a nine cents per hour rise.

Over-all, estimates range from no increase to 20 cents per hour. Two firms, one in transportation and one in insurance, pick 20 cents as their expected cost increase.

A few executives declined comment on the basis that they were

in contract negotiations or soon would be.

Capital spending plans

A large majority of the business leaders report that their companies plan to invest in new plant or equipment in 1963 for modernization or expansion. Few, however, say such plans result from the new tax credit.

An Illinois manufacturing company president, for example, says his firm will engage in normal expansion, plant improvements and replacement of older machine tools next year, but adds, "Tax regulations did not enter into our decision."

The director of business research for an Akron manufacturing company reports: "New equipment purchased in 1963 will be primarily for modernization rather than expansion. New tax laws will have little effect on capital spending. Necessity for lowering cost of production and meeting competition is the chief factor."

One company president notes: "We are too fearful of the climate in Washington to make any further expansions in our plant and equipment."

Taxes

Answers to: "Would you be likely to spend more for capital investment if taxes were reduced in 1963?" suggest that most companies would not make appreciable changes in their planned budgets.

However, a number of executives say tax relief next year could spur them to greater capital spending later.

The director of economic research for a company in Moline, Ill., observes: "Since our plans for 1963 are near-final, we will not be likely to spend more for capital investment in 1963 if taxes are reduced early in 1963. Such a tax cut, if continued, would undoubtedly in the longer range cause us to increase capital investment."

M. J. Warnock, president of Armstrong Cork, comments: "It is unlikely that a tax reduction in 1963—especially since it may be a one-shot reduction rather than a continuing, constructive correction—would lead us to spend more on capital investments."

The president of a transportation company headquartered in Cleveland says, "Yes, investment opportunities would be revaluated and additional approvals made. Further, the increased net income would increase money supply and probably cause interest rates generally to

Watch for:

Help jobless workers help themselves

The problem of continuing unemployment has led to many proposed solutions, chiefly involving federal funds. Many areas, however, are instead teaching the idle to get new jobs. You can use their methods.

Listen to the right people

Successful executives generally are skilled in the art of listening. For that reason alone, they may be imposed on to listen to unimportant discussions. Here's how to choose the things you should hear.

... and many other timely, important and useful articles
in coming issues of

Nation's Business

THE DEPENDABLES ARE HERE!



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YOUR COMPANY'S STYLE

INTRODUCING COMPACT '63 DODGE DART

At last! A compact that doesn't give you the sardine treatment. Dart's a new idea in compact cars. Compact outside, big inside. Dart's too roomy to be a compact, too darned thrifty to be anything else.

Dart's here to change a lot of ideas. Its low initial cost and gas-saving 6 offer the savings you expect in a compact car. But it's got the room and man-sized comfort that's been missing in weak-sister compacts. Best of all, Dart's got the day-to-day dependability that made Dodge famous—and a great favorite among company cars. Dart looks good on the ledger, sits well with the men who drive it. If you have the last word on company cars, let's get together—on the Dodge Dart.

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you can use it in the dark!

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MUTUAL BENEFIT LIFE

INSURANCE COMPANY OF NEWARK, NEW JERSEY • SINCE 1845

EXECUTIVES EXPECT

continued

decline. This, too, would spur investment. The increase in our working capital position would cause us to seek investment opportunity within and without the company with increased vigor."

Biggest worries ahead

The executives were asked: "Looking ahead to 1963, what is the biggest worry you have in connection with your company's operations?"

Responses range all the way from "a Kennedy depression" to "chaotic competition." Most worries center around control of costs and improvement of profit margins—and the specter of increasing government intervention in business affairs.

H. P. Parshall, president of the Bank of the Commonwealth, Detroit, cites high interest rates paid on savings as his biggest worry.

Charles J. Zimmerman, president of The Connecticut Mutual Life Insurance Company, Hartford, says his biggest headache will be recruiting an adequate number of qualified sales representatives.

The vice president of an electric company mentions "government ownership and government subsidized competition in the form of Rural Electrification Administration cooperatives."

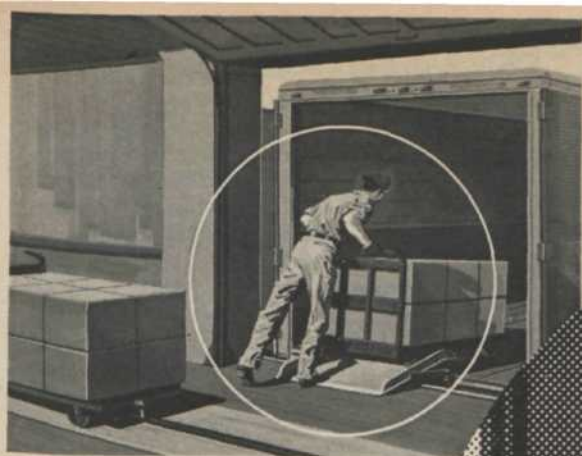
Norman Chandler, president of The Times-Mirror Company, Los Angeles, singles out the profit squeeze, while James W. Coultrap, president of Miehle-Goss-Dexter, Inc., (printing machinery makers), says he's worried that "psychological factors on Wall Street will deter customers from placing orders."

Among other worries mentioned are sharper domestic competition, foreign imports, government regulation, and the present uncertain economic climate.

The vice president of a West Coast department store had this reply: "Why worry?"

THE NATION'S BUSINESS survey got at the question of business problems with a second question. It asked: "What do you think will be the biggest problem for business in general?"

The responses here fell into much the same pattern as those given on the previous question. The squeeze on profits was frequently cited, as were competitive pressures from abroad, government interference and a Washington attitude



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Ease the profit squeeze by cutting selling costs — while increasing sales volume. If you sell to the new construction market, learn how Dodge marketing techniques can be tailored to help you: 1. concentrate your sales efforts on current prospects; 2. deploy your salesmen most effectively; 3. selectively build volume for greater profits.

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EXECUTIVES EXPECT

continued

toward business widely construed to be inimical to the best interests of free enterprise.

A utility executive in Atlanta: "Kennedy's lack of business experience. Jack and Bob and Teddy . . . good boys, but young."

Wilson Mothershead, president of The Indiana National Bank, Indianapolis: "Resistance to the encroachment of government into business affairs and policies."

High taxes also drew frequent mention as a major challenge to business at large. Overcapacity in some industries was another problem often listed.

"Perhaps the biggest problems for business in general," says the

Communism's secret weapon is the lie. America can guard against Red deception best by understanding it. For analysis, see article on page 42

head of a Los Angeles firm, "are those related to improving corporate profits and utilizing the economy's excess capacity—both labor and equipment. Both of these problems, however, boil down to one—that of promoting private expenditures, both by consumers and producers."

Brightest opportunities

Executives were asked what they consider the greatest opportunities for business.

A large number of them stressed, in one form or another, the educational contribution which business can make by informing the American public on the workings of our economic system.

A banker's comments are representative: "The greatest opportunity I can see," he says, "lies in educating the public to the necessity for profits, economy in government and greater harmony between business and government accompanied by technological advances."

Some executives point to the European Common Market as an opportunity with great potential for U. S. business. Others call for more vitality in developing new products and new markets; still others identify automation as an opportunity.

C. G. Swingle, vice president of P. I. E. General Freight, Oakland, Calif., answers simply: "Just being an American."

Government and business

Asked, "Where do you expect government policy will most closely impinge on your business?" companies subject to government regulation or competition generally singled out Washington controls, regulations and restrictions.

Manufacturing firms offered a wide range of replies. John H. Daniels, president of Archer Daniels Midland Company, Minneapolis, says, "The Administration acts as though it wants to have more and more control of the free enterprise system. This indicates a basic lack of understanding of the nature and problems of U. S. private business and, therefore, an apparent unwillingness to administer laws or initiate new laws—such as basic tax reform—which would have a stimulating or beneficial effect on business growth."

Here's the comment of the vice president and treasurer of a Cleveland retailing firm: "The Federal Trade Commission is a nightmare; we cannot comply with what we think the regulations are and our thoughts are without benefit of FTC's current thoughts. We have impossible labeling laws and Robinson-Patman regulation by the hundred pages—all unclear."

"Government could hardly impinge on the railroad industry any more than it does now," says the board chairman of an eastern railroad.

The survey questionnaires were completed by 21 board chairmen, 109 company presidents, 47 vice presidents and executives in a number of other high company posts. Major business and industrial categories covered by the survey included manufacturing, insurance and banking, utilities, distribution and transportation. **END**

How to ask your bank for a Nice Big Loan

(AND BE REASONABLY SURE OF GETTING IT)

If you ever hope to get rich (or even comfortably fixed), the logical thing to do is to learn *how* to borrow money. And *where*. Like many other things that are important, learning about money takes some intelligence, some practice, some skill — and, often, some help. There's no magic, and luck doesn't have as much to do with it as many people would like to think.

The best place to borrow is at a Full Service commercial bank

Here are six easy ways to get started:

First, pick a Full Service commercial bank that's handy to your home or work. (If you have any doubts whether it's a Full Service commercial bank or not, telephone and ask them. If their services include checking accounts, savings accounts and all types of loans, they're a Full Service bank.)

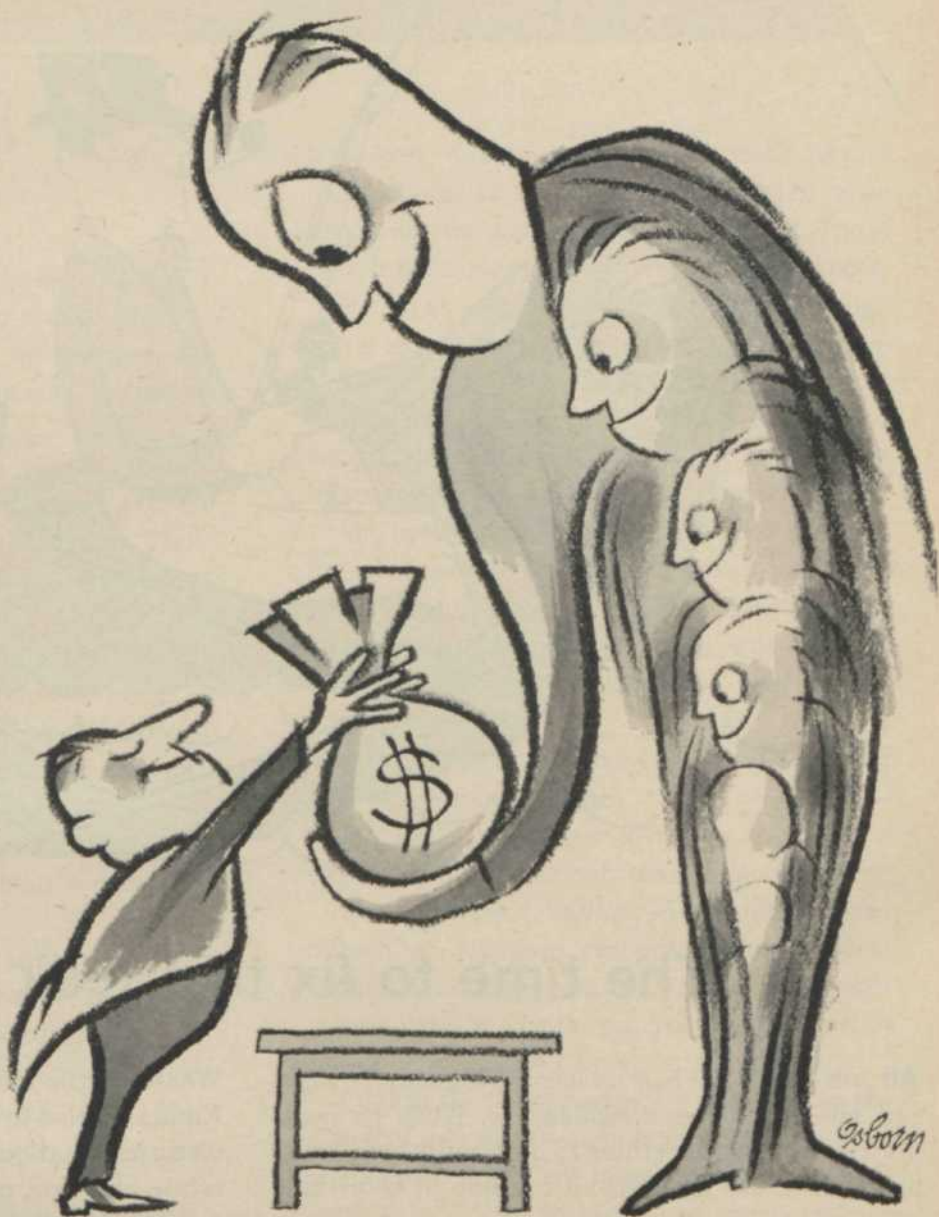
Second, give this bank all your banking business. (This includes your checking and savings accounts, any accounts your wife may have elsewhere. The more business the better.)

Third, get personally acquainted with one of the bank's officers. (Tell him you want to build a good working relationship with his bank because someday you might want to borrow a lot of money.)

Fourth, fill out one of the bank's Personal Financial Statements. (They'll keep it confidential and it will show them that you are deadly serious about building your net worth.)

Fifth, keep your savings account active and growing with regular deposits (even if they're small) and try to maintain some kind of a reasonable balance in your checking account.

Last, borrow a little money for some worthwhile purpose. Pay it back on schedule. Then borrow some more. Pay that back on schedule. Then borrow some more. (You get the picture.)



Get to know your banker before you need him

Almost before you realize it, you'll find that you have earned yourself a priceless banking relationship, a relationship that's built on a reputation for borrowing and paying back exactly as promised. This could be your most precious asset. Guard it zealously.

Now, when you're ready to go into business for yourself or buy a piece of income property, come in and see your banker again. (He's probably a good friend of yours by now.)

He can give you a lot of sound advice on the project's merits. Most important, he will now be a lot more interested in lending you large sums of

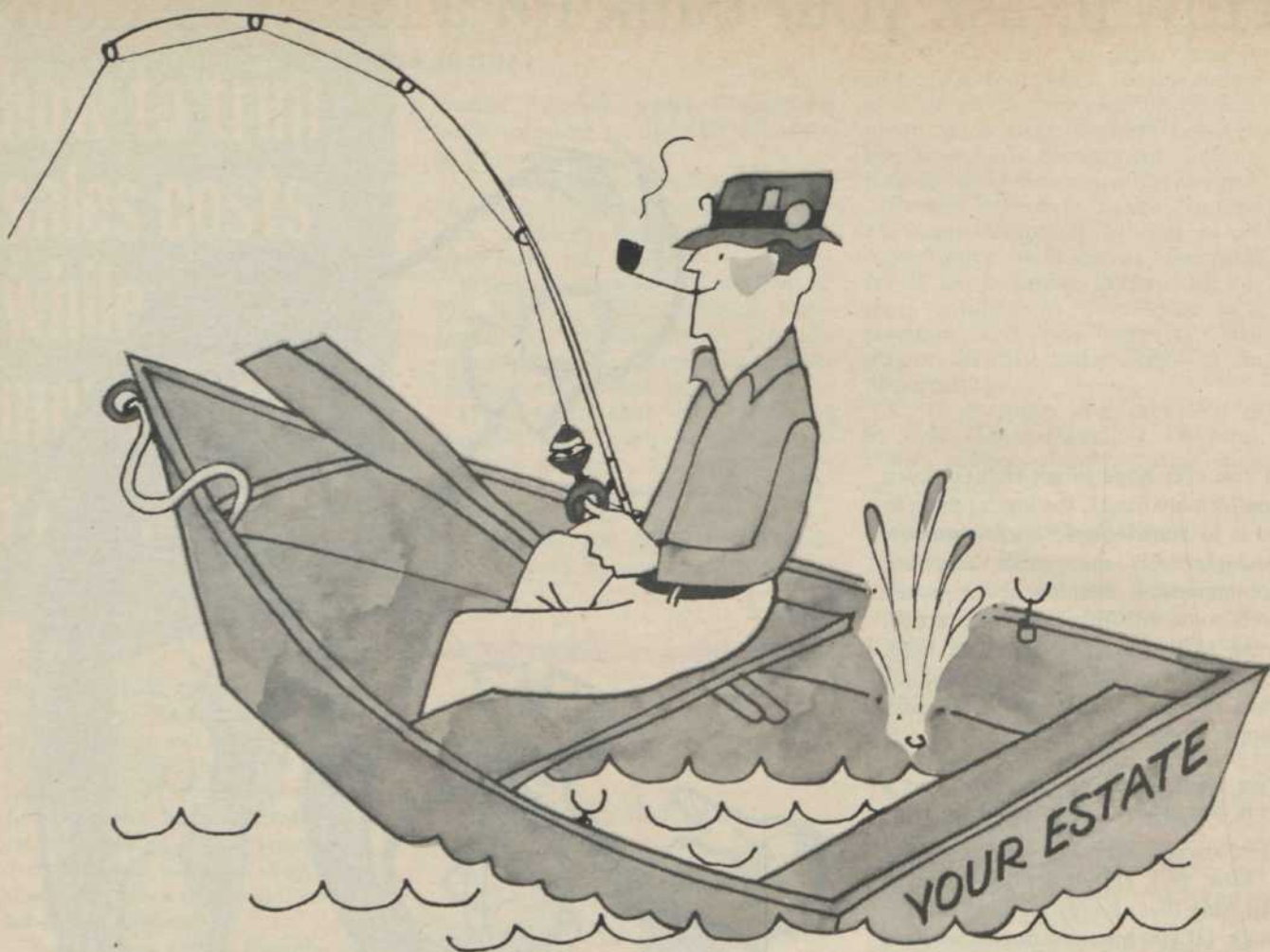
money — often at interest rates lower than you'd get anywhere else. What you have done, of course, is to establish enough credit so that you now have a bank that knows you and is willing to work with you. What's more, your precious savings are still intact and you're dollars ahead in the long run.

Sound logical? For the sake of *your* financial future, get started with a Full Service commercial bank *immediately*. You'll never regret it.



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Commercial Bank**

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All his life, S. L. had an income high above average. His estate was a sizable one. When he made his will, leaving everything to his family, he felt sure his heirs would have smooth sailing, if something happened to him.

But S. L. made a mistake. He did not reckon with the corrosive effect of the high cost of dying. He did not provide for the cash needed to meet taxes, debts, expenses—obligations that can take a big bite out of a large estate. The result was that his family received a full third less than he intended.

What should S. L. have done? What should *you* do to avoid this problem? If you plan now—with an insurance policy from Equitable—you can make sure your family will get the estate you want them to have, not just a piece of it. With Equitable insurance, you can provide all the cash needed—quickly, simply, easily—to take care of your estate settlement costs.

Whatever the size of your estate, there's a special Equitable plan to meet your specific needs. For complete information about the uses of insurance in estate planning, mail the coupon below. Better yet, call The Man from Equitable.

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I am interested in receiving more information on the uses of insurance in estate planning. I understand I am not obligated in any way.

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PERSONAL OUTLOOK

Useful guides for traveling executives

If you're among the 55,000 Americans who'll take a world trip next year, go on a more limited overseas trip, or consider an overseas operation—you may find an unusual series of handbooks useful.

Originally prepared for the Army's special warfare personnel, the handbooks describe economic, political, social, educational backgrounds of 14 countries. Others are expected later.

Authors are specialists of American University's Special Operations Research Office.

An SORO official says: "The handbooks were written with the hope they'd be usable for executives. They're in nontechnical language, and especially useful to the man who wants to make up his mind about a course of action in a particular country."

Chapters include: labor, public order and safety, political dynamics, finance, industrial potential, foreign economic relations.

Available handbooks: Cuba, Soviet Union, Poland, Indonesia, Saudi Arabia, Iran, Iraq, Jordan, Thailand, Laos, Ethiopia, Cambodia, China, Afghanistan.

Scheduled for publication next year—Pakistan and Viet-Nam.

Average price of handbooks is \$7. Distributor is Taplinger Publishing Co., 119 West 57th St., New York 19, N. Y.

Make Olympic Games plans now

Better make hotel reservations soon if you're considering going to the next Olympic Games.

Reservations open this month. Kazuo Iwata,

New York director of Japan National Tourist Association, says Tokyo area's western-style hotels cannot accommodate all visitors. Those delaying reservations will take their chances.

He urges making early reservations through travel agent, but preferably this month.

Tickets to sports events during the October 1964 games will be available only to overseas visitors with lodging reservations. Applications for tickets will be accepted starting April 1.

Mr. Iwata reports chances are good for staying at Japanese-style inns (ryokan) in Tokyo area. Features include: suites partitioned by sliding paper screens; verandas; cushions for sitting; thick, soft bedding on floor; meals served in rooms.

Many Tokyo hotel and ryokan rates are about half New York hotel rates.

Mr. Iwata offers this advice to Americans—expected to number half the overseas visitors:

Industrial plant tourism is expanding. Also dozens of Japanese executives now welcome foreign counterparts to their homes. Arrangements can be made via Tokyo's new JNTA tourist information center.

English-speaking guides are available at the center. Cost: \$5 for eight-hour day.

Reliable stores are members of Japan Souvenir Association. Many tax-free items; savings range from 10 to 25 per cent.

Financier offers advice

Investment counselors are stressing that their clients should pay more attention to individual stocks rather than the averages used to suggest over-all trends.

Dr. Richard H. Rush, internationally successful financier and former representative of J. Paul Getty, uses this tenet:

Don't buy a particular stock unless it shows

PERSONAL OUTLOOK

an uptrend—not just a rise of one point in a week. Sell it when it's in a down price pattern.

Author of a forthcoming book titled, "The Techniques of Becoming Wealthy," he offers several ground rules for the average investor who doesn't have the time to make maximum profits from the market's rises and falls:

"You can't hope to buy at the bottom and sell at the top.

"Buy a stock moving up, not one which might, or one moving down that looks as though it might be a bargain.

"Buy at least four or five stocks at one time. The most sophisticated professional investor can often do no better than seven winners in 10. Suppose he'd bought only the wrong three."

Household "must" available

Home and neighborhood accident rates will rise during the next three months.

The National Safety Council points out that injuries from fires and falls are at their peak during winter months.

A timely addition to your home—the American Medical Association's new first aid manual.

Offering up-to-date dos and don'ts, it succeeds a manual first published 10 years ago.

What was considered good practice a few years ago is often no longer recommended. Some old-style procedures have been found to be more injurious than the injury itself.

Methods of handling dozens of emergencies—from frostbite to food allergy—are included.

Two new techniques are recommended to control heavy bleeding and perform artificial respiration.

Heavy bleeding can best be stopped by applying pressure directly over the wound. In red

letters the manual warns: "Never use a tourniquet to control bleeding except for an amputated, mangled or crushed arm or leg."

Mouth-to-mouth technique is recommended for help in breathing.

You can obtain the pocket-size manual from AMA's Order Unit, 535 N. Dearborn, Chicago, Ill. Cost: 15 cents.

Special delivery

Starting to make up your Christmas list?

Have you included the Navy?

It operates a worldwide, year-round Santa Claus service.

Project Handclasp is a unique military program which was recently opened to the general public.

It's a continuing program that accepts charitable cargo for global delivery via warships on a space-available basis.

Rear Admiral William E. Gentner, Jr., says:

"The most welcome items in needy areas where the fleet goes are clothing, food, medicines. There's an unlimited need for clean, serviceable used clothing.

"Also needed are books, particularly Bibles, texts, dictionaries; school materials such as chalk, pencils, paper, erasers, blackboards; athletic gear; small hand and garden tools; toys of nonmilitary nature; souvenirs such as key chains and lighters."

The Navy works closely with organizations such as Meals for Millions, World Vision. Also religious, business and civic groups.

Information about individual, organizational, corporate donations may be obtained from Project Handclasp Coordinator, Navy Department, Washington 25, D. C.

NEW ROTARY CALCULATOR



Impeccable...

It's new and it's handsome. It's quiet, compact and unbelievably cooperative. It computes more efficiently, communicates more clearly and is priced more competitively than far less disciplined machines. It's the fastest, simplest, most accurate standard calculator ever designed. It's the Monroe-Matic® 8F-213. See for yourself. Call your local Monroe office today for a demonstration. (You'll find the number listed in your phone book.)

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NEW DATAREGISTER™



Improbable...

Yesterday, a cash register so compact (about the size of a breadbox) with so much capacity (twenty-seven individual totals and three group totals) seemed out of the question. Particularly if such a machine were able to handle change computation, refund, and credit balance. But today, Monroe|Sweda makes the improbable a reality with its new DATAREGISTER™. And suddenly, all other multi-total registers seem obsolete. For details, company executives are invited to contact Wade Senter, Vice President, Sales. Or call your Monroe|Sweda representative. (He's listed in your phone book.)

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NEW PRINTING CALCULATOR



Impossible!

Until now, four-rule printing calculators could not handle a fifteen digit answer. They could not multiply at rotary calculator speed. They could not do three-factor multiplication if each factor contained five digits. They could not multiply without disturbing the listing total while doing addition. And, in doing division, they could not show the dividend without printing extra zeros. But this one can. And does. The Monro-Matic® MACH 1.07. Surprisingly, it is priced comparably to the printing calculators it has outmoded. For information, contact your local Monroe office. (You'll find it listed in your phone book.)

MONROE 

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Suddenly a postage meter makes a lot of sense for my office!

"Felt as if I'd mailed a million Christmas cards," grumbles Mr. Jones. (He knows darn well that his mailing list is only 124 names!) But getting out the annual season's greetings makes him realize that sticking stamps and sealing envelopes can be a monotonous, highly unhygienic job. And why both the girls in his office want a postage meter!

With a postage meter, you can forget about adhesive stamps—for keeps. No stamp sheets to separate. No sloppy stamp sticking. No running out of denominations. No rush trips to the postoffice. And no security problems with a stamp box or pre-stamped envelopes.

Because a postage meter prints postage as you need it, directly on the envelope, any amount for any kind of mail—or on special

tape for parcel post. Prints a dated postmark at the same time. Plus your own small ad, if you want one. Seals envelopes, too.

Buying postage is simpler; the meter is set by the postoffice for any amount of postage you want. Postage in the meter is protected from loss, damage, misuse. And automatically accounted for on double registers.

There's no minimum volume requirement for metered mail. Many meter users average less than \$1 a day in postage—like the meter for its convenience.

Ask the nearest Pitney-Bowes office for a demonstration. Or send for free booklet.

FREE: Handy desk or wall chart of latest postal rates, with parcel post map and zone finder.

With postage rates going up again on Jan. 7th, more than ever you need a postage meter.



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Made by the leading manufacturer of mailing machines...
149 offices in U.S. and Canada. In Canada: Pitney-Bowes
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Send free ☐ booklet ☐ postal rate chart to:

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LABOR POLICIES

continued from page 41

home if he is led to believe that he can get more by taking his dispute to Washington," says Gerard D. Reilly, a Washington attorney for employers, who served under President Roosevelt's New Deal as a member of the National Labor Relations Board and solicitor in the Labor Department.

"Even if he doesn't feel that way," he adds, "he is under great pressure to get his case to Washington as other union leaders do or be accused by his members of failing to do all he could for them."

Freedom to strike

Some observers suspect that the government's anxiety to prevent strikes at all cost may be at least partly responsible for the rise in strikes. Workers and unions are more likely to inflate their demands and be less likely to yield and reach a settlement if they know the government will not tolerate a strike, or a long strike if one starts, and will help them win their objective.

"The major deterrent to strikes in our society is the freedom to strike," says Charles M. Rehmus, a former federal labor conciliator who worked on the Livernash Report which analyzed strikes in the basic steel industry following the 116-day stoppage in 1959.

"In my judgment, collective bargaining in an economy with a free market system necessitates strikes. Any effective alternative involves a drastic legislative modification of our present economic system and a degree of government intervention antithetical to all our traditions."

The danger of substituting fact-finding boards and panels for strikes and lockouts is recognized by Dr. George W. Taylor, who is frequently named to fact-finding boards and is a public member of the President's Advisory Committee on Labor-Management Policy.

"We instinctively defend the rights of strike and lockout because their restriction brings direct government fixation of the terms of employment (wages and working conditions) and supporting sanctions," Dr. Taylor says.

In other words, not all strikes are necessarily harmful, because substitutes can lead to worse results—government dictation, compulsory arbitration, unwarranted concessions, or prolonged unrest.

Of course, the unions realize that

as a dispute moves from one board or commission to another, with mediation added in between, they have nothing to lose, everything to gain. No new board or mediator is going to ask them to take less than has already been recommended and the employers have indicated a willingness to give. The employers find themselves in a position of having to yield more than was recommended as fair and reasonable—and sometimes stuck with compulsory arbitration.

More federal boards

By getting cooperation from both sides in a dispute, the Administration seems to have brought into being on a voluntary basis the "arsenal of weapons" against strikes which President Kennedy had said, during his election campaign, he wanted Congress to give him but has not yet asked for.

Few realize that the labor secretary has no statutory authority for his activity in this field. When he steps into a labor dispute he is acting for the President and sometimes at his personal request, not as secretary of labor. This can have a tremendous influence on the parties involved.

The trend toward more government boards is alarming to those who fear increased government intervention will lead to the European system of industry councils and socialism.

The President's Advisory Committee on Labor-Management Policy is cited as potentially the most dangerous if it is used in specific disputes or to set government or labor-management policies. Leaders in management and labor sit on this committee with public members. In some European countries, where management and labor are highly centralized, similar groups pretty much set wage and price levels and influence economic growth policies.

This Administration also has set up a permanent Missile Sites Labor Commission, comparable to the Atomic Energy Labor-Management Relations Panel, and has recommended that a permanent labor commission with employer and union representation be created to help solve the labor problems of the shipping industry.

Government policies have come under attack from both labor and management as unwarranted government intervention in the free market system. Although intended to promote wage and price stability, the guideposts for noninflationary

wage and price adjustments were criticized by Dr. Taylor as possibly leading to larger, rather than smaller, wage increases.

By trying to keep wage adjustments within the limits of the guideposts the Administration assumes a responsibility for holding prices down, which can lead to a form of price control. This was demonstrated when President Kennedy forced a rollback of steel price increases which followed a wage settlement which the Administration helped arrange. Wage guideposts in England have been found to be inflationary and have stimulated talk of compulsory arbitration to hold settlements down even if that caused more strikes.

Stuart Rothman, NLRB general counsel and former solicitor in the Labor Department, warns that government intervention in collective bargaining "is in its initial stages, and undoubtedly there will be further developments in this area."

"It will be interesting to see the form that these developments take in the light of the free institutions of this country," says Mr. Rothman, a Republican appointee.

What we may be heading into is hinted at by William E. Simkin, director of the Federal Mediation and Conciliation Service, when he says that present conditions "should alert us to the possibilities of greater government intervention."

"Whether solutions to these (bargaining) problems can be accomplished substantially within the framework of collective bargaining, as we now know it, is the challenge for the years ahead."

David B. Johnson, professor of economics at the University of Wisconsin, analyzes "The New Frontier Collective Bargaining Policy" in the *Labor Law Journal*. Professor Johnson concludes:

"We used to say there couldn't be wage and price controls or compulsory arbitration under ordinary circumstances in peacetime because neither side wanted it."

"We also said, though, that such legislation might be enacted at a time when the public became aroused, either because labor and management were engaging in collusion at the expense of the rest of the public, or as a result of internecine strife which jeopardized the public interest."

"The President may have added a third type of situation where such an outcome becomes a possibility: a crisis created by the Administration itself."

END



R. J. SMITH-BLACK STAR

NEXT NEED AFTER TAX CUTS

Dean Robert R. Dockson, School of Business Administration at the University of Southern California, explains ways to boost nation's economic growth rate without government intervention

CONFUSION that stems from government action and interference is stunting America's economic progress.

This is the considered judgment of Dr. Robert R. Dockson, dean of the School of Business Administration at the University of Southern California.

From his experience in business and a wide association with business executives, Dean Dockson has reached the conclusion that businessmen could help step up the pace of national expansion by going ahead boldly with growth decisions which he says are often put off because of fear and confusion about the future. Government could help by eliminating the sources of confusion.

He urges major tax reform as a first step. Beyond that he believes the U. S. needs a complete overhaul of the laws that regulate and affect business decisions.

Cleaning up the bewildering maze of antitrust and regulatory interpretations, for example, would go a long way toward restoring confidence and boosting business activity to a more satisfactory pace.

In business Dean Dockson has worked as economist for the Bank of America, among other companies. He has been a teacher and research director at Rutgers University, as well as professor at the University of Southern California. He became dean in 1959.

In this interview with an editor of NATION'S BUSINESS in his office at Los Angeles, the dean

discusses the relationships between business and government, points out the steps being taken to improve them, and suggests others.

Dean Dockson, what do we need to improve business prospects?

We need to free our economy from the rigidities we have built into it over the past 25 or 30 years.

We need more private enterprise and less public enterprise.

We have to make more effective use of fiscal and monetary policies and other tools of government. We know how and we must use these tools to the best of our advantage. To do what? To stimulate output within the framework of a private system and not within the framework of greater centralization.

Then you are optimistic about the future?

When I look ahead I think that American business stands on the threshold of the greatest opportunities that it could ever hope to have. I believe these opportunities must be reached for and obtained by the businessman himself. I really feel that the average businessman in America has been negligent in voicing his views and in exercising the true power he possesses. I think he has allowed the government to overrule him, to dominate much of his thinking and, in many cases, to discourage him from taking action that would lead to growth.

But this need not continue, and it will not continue if the businessman can provide himself with some rules for action that will shake loose the fears he possesses today and our businessmen do possess fears.

What kind of fears?

Many are afraid of tomorrow and afraid of a downturn in business but, in addition, they are afraid of government. They are scared to death of what government is going to be doing, and I think they have been waiting to try to find out whether the current Administration is going to clamp down harder on their activities or whether they will be able to exercise some of their initiative and launch new programs that are on their drawing boards.

Are the fears of businessmen real or imagined?

Well, I think they are a little bit of both. They are certainly very real in terms of our regulatory agencies, in terms of the role that government spending is now playing. I think they are also due to their own imagination when they sit back and say, "Well, let's find out what type of government spending we will have during the next six months," rather than going ahead with some of their own programs as a result of some of their own work in research and development.

Businessmen are holding back, whereas, if they had

just a little incentive, they might go ahead on their own.

Could you give some examples of real fear?

Yes, I think I can. Let's take attempts to settle strikes as an illustration.

We all know that President Kennedy, before he was elected, talked about a certain rate of growth. The figure, it seems to me, was a five per cent rate of growth per year. Now, in his zeal and desire to achieve this growth he knows that strikes retard his objective, so that in a couple of cases with which I am familiar—I am thinking of the engineers' strikes in the airlines, for example—I know that every tool at government's disposal was used to try to settle this long before it became a critical issue.

What do you mean by "every tool?"

I have been told by competent and reliable persons who received some of the phone calls that the government used all kinds of threats. I am thinking of calls from Washington to top management by different Washington offices, including a cabinet officer's.

It was made clear that top management could expect a call from the President himself if it would do any good. The President didn't call, but a high state official did, as well as other influential people, threatening practically the shutting down of this business.

We hear like stories concerning the awarding of contracts. In this area we probably have as many government contracts as any area its size in the U. S., and many interesting stories are circulating—stories of how firms have been bludgeoned into building plants elsewhere, how expenses that were considered legitimate when they were incurred have been disallowed months and even years later.

Now, when stories of the nature of those I have described are told at luncheon tables across the nation, they are bound to create the feeling that some anti-business force is in motion. Under such conditions, it is difficult for businessmen to believe that government is trying to create an environment conducive to private economic progress.

How much are such stories embellished?

I'm sure that many of the stories are embellished. But you must not discount the fact that these things are happening. Now, whether it happens to the full extent or not, we can't be sure. I know these are stories that were not circulating before and they do influence the feeling of security of businessmen.

In the airline dispute, was one side or the other favored?

Well, let me put it this way: I believe the greatest pressure was put upon the company—the airline president and management. I believe pressure was aimed and directed toward that side more than the other

Memory Unlimited

I JUMPED into the first railway compartment which seemed empty: my eyes fell on a book left on the seat opposite by a previous passenger.

I took it up absent-mindedly and ran through the first lines. Five minutes later I was reading it as eagerly as a clue to a hidden treasure. I learned that everyone's memory is capable of fantastic feats; that an ordinary person if he has taught himself to control the way in which his brain stores impressions can memorize accurately long and complicated lists of facts after reading them over only once or twice. I thought I would test the truth of the statement.

I took a timetable out of my suitcase and began reading quietly in the manner prescribed, the names of about one hundred railway stations. I observed that, after reading them over a few times, I could recite the whole list off with hardly a mistake. With a little more practice I found I had committed them so completely to memory that I could remember them in the reverse order and even pick out one station from the lost and say which number it was, and what were the names of the towns before and after it.

I was astonished at the memory I had acquired and spent the rest of my journey on more and more difficult experiments in memory, and reflecting how this new control I was achieving over my mind would materially help me to a greater success in life. After this, I worked hard at this wonderful memory system, and within a week I found I could recall passages from books and quote them with ease; names, addresses and business appointments were remembered immediately and in four months I had succeeded in learning Spanish.

If I have obtained from life a measure of wealth and happiness, it is to that book I owe it, for it revealed to me the workings of my brain.

Three years ago, I had the good fortune to meet its author, J. C. Borg, and I promised him to propagate his method, and today I am glad of this opportunity of expressing my gratitude to him.

I can only suppose that others wish to acquire what is, after all, the most valuable asset towards success in life.

Borg's address is: J. C. Borg, c/o Aubanel Publishers, 14 Highfield Road, Dublin, 6, Ireland. Apply to him for his little book, "The Eternal Laws of Success." (Postage 7c for a postcard to Ireland by surface mail.) It is free to all who wish to develop their memory.

F. ROBERTS.

AFTER TAX CUTS

continued

side. This sort of thing creates a fear in the businessman's mind. Real or imagined, it is genuine fear of government and the actions it might take.

What can be done about this?

I think some things are being done. Let me give an example: We know that there is a complete tax reform program planned for next year. There isn't an economist, I am sure, in the country who wouldn't say to you, "One of the greatest needs to stimulate growth is complete tax reform."

The Administration has a unique opportunity at this time to do things in this program that will once more give the feeling to the businessman that you reward him for performance; you reward his company for performance through the change in the tax programs rather than penalizing him for making a profit.

Another thing that can be done to restore business confidence is to wash out these examples of intimidation and to clarify the rules and regulations under which government operates. We know some of these stories to be accurate because of the integrity of the executives involved. Government cannot undo what has been done, but government can prevent much of it from occurring again.

Are additional changes in depreciation necessary to encourage businessmen to make growth decisions?

Individual companies will make growth decisions based upon their anticipation of sales and profits. In a declining economy few companies would make a decision to expand their capacity because of rules regarding depreciation allowances.

In an expanding economy, however, additional changes in depreciation allowances might well stimulate further investment expenditures. After all, depreciation generates cash flow and when this is no longer available, such flow ceases and the revenues immediately become available for tax purposes.

During periods of expansion, one of our greatest needs is to expand plant capacity rather than government spending. Changes in the depreciation laws might well assist in achieving this objective.

What are some things businessmen could do to speed economic progress?

I think that businessmen need almost a manifesto. They need a

program of action that will help educate the American citizenry.

Let me give you an illustration: There are still many, many millions of people in the United States who do not understand the role of profits in our society. If you don't want greater centralization, greater governmental regulation and control, and you believe in what the private enterprise system basically stands for—which is the freedom of the individual to develop to his maximum capabilities—then you must explain the meaning of profits in society and help educate large labor groups to what this profit does for them, does for the whole of society. While much is being done to overcome our ignorance about our economy, much remains to be accomplished.

Isn't the disagreement over what is an adequate profit?

I quite agree. On the other hand, when you start discussing this with many union groups, for example, they won't recognize that any level is essential.

Now, this is only one thing. There are many other things that we need to do. We need a real study of the regulatory agencies of our government and we have to bring some order to the confusion that exists. There isn't a businessman living who really has a sense of complete understanding of the Attorney General's authority along with other government regulatory bodies and what they as businessmen can and cannot do. I get very upset when I hear businessmen saying, "I dare not sit with him because somebody is going to misinterpret the meaning of it."

Have you personally seen this happen?

I have seen this happen many times.

The heads of two companies literally don't want to be seen in public together?

That is right.

I have had men say to me, "Bob, I would just as soon not be seen talking to that fellow because sure as heck someone is going to accuse us of getting together."

Does government regulation of business and application of antitrust laws actually go beyond the law?

There is confusion because you get different interpretations of the law from different regulatory bodies.

On the same issue?

Yes. This creates confusion. Even



40,000 square foot Hi-Ho Shopping Center, Puyallup, Washington. Nelsen, Krona, Wilson & Ziegler, Architects, A.I.A., Tacoma, Washington.



At Hi-Ho, the stock clerks and customers keep out of each other's way. U-shaped gondolas are restocked from behind.



"Star" cluster of food gondolas radiate from store-center warehouse. Other merchandise shops are against outside walls.

Big-scale modern retailers like the scope and economy of Butler buildings

America's shopping centers and "supers" are the envy of the world. Our big-thinking retailers dare to do it new and differently. Case in point: the Hi-Ho Shopping Center in Puyallup, Washington, pictured above. Among the up-to-the-minute features are center-store food warehousing, with U-shaped, peninsular gondolas, stocked from behind. Another is the use of the heat extracted by the refrigeration machinery to heat the entire interior. Still another is the use of a Butler, pre-engineered, MRF building.

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But the biggest appeal of the Butler MRF is cost—an appealingly low first cost despite its unique benefits. Equally important, annual maintenance costs are among the lowest of any type of construction.

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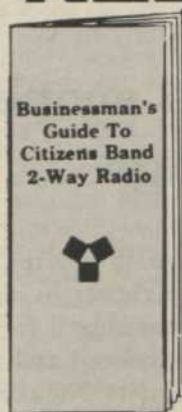
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AFTER TAX CUTS

continued

within the same agency, you might go to a man at a particular level or a branch and he will give you one interpretation, but a man of equal level in a different location will give you another interpretation. So, of course, the businessman can't be sure at all which one is right.

Confusion stems, too, from court decisions which differ from previous court decisions, and because the application of the law today differs, perhaps, considerably from the application that was intended when the act was first passed.

Do you think we need a new body of regulatory law?

We need a tax overhaul; we need an overhaul of this, too. We need a new, complete look at regulatory agencies to see which ones can be done away with; to see which ones can be eased, not to see which ones can be increased.

What about the overlapping of various government agencies?

This is one of the reasons why we need a tremendous study of all the agencies to see where overlapping can be done away with.

At the present time the businessman doesn't know whether he is going to be hit by the Federal Trade Commission or the Attorney General's office, or just who. We need a very clear statement of the real responsibilities of these various agencies and what areas they cover. And this doesn't exist. Some of them feel they have almost a free rein to go in wherever they want.

Another thing that the businessman must do: He must be "anti" those who seek to restrain production and output.

The only way you can have our economy grow is through increasing production, and you increase production by working harder and making use of all the resources we have.

In the future, in the next five to 10 years, we cannot grow as long as unions say that we are going to work fewer hours and spread the work thinner. All you are really doing in the long haul is reducing your rate of growth.

The answers come in finding ways to distribute your output—and let the marketplace determine whether output should be restricted or not.

You would have people work harder and work the longer hours rather than agree to shorter workweeks?

Well, I don't want to say that people should work harder. What I am saying is I think the answer to increased output and growth in our economy is not the reduction in the number of hours that we work.

The answer is to be productive in the hours that we do work and to work as many hours as is possible and reasonable within our society to work, whether this be a 40-hour week, 42, or 38-hour week. I think the marketplace alone should determine this. And yet, unions seek to shorten the workweek. The purpose of this—in their way of thinking—is to spread the work, increase income through overtime pay.

If this is only a guise to get their income higher, this is one thing. But if it is a guise to try to spread work over more people, all you are doing is decreasing your potential.

What are some other steps that should be taken to encourage growth?

Many other things must be done if we are to achieve our maximum growth. Industries must be given incentives to increase their markets, and this means producing for export. Hundreds of millions of people live in want in the world and we must find ways to serve that need through our industries.

If this can be done, the opportunity of finding sufficient jobs for our expanding labor force will be greatly enhanced.

In addition, we need to continue to push for further breakthroughs in education and to see that every capable youngster has an opportunity to continue his education. Management must continue to support business education with the eye on greater efficiency and greater productivity. Our government must recognize its great obligation to provide the proper environment for our economy.

By that I mean an environment that will allow the private side to make its maximum contribution to economic growth. However, everyone should recognize that such an environment will never be created until businessmen understand their own needs. These needs must be identified, clearly stated, and support sought for them through our elected representatives.

Working together, government and private industry can develop policies that will create the proper environment. If this can be accomplished, I am convinced our system can more than hold its own with any found elsewhere in the world.

END

What happens when government buys advice

Executive branch spends \$6 million yearly to study itself

THE SECRETARY of Commerce told a congressional committee not long ago that he believes his Department has a considerable number of unnecessary and obsolete functions.

With committee members' encouragement he set up a group in the Department to study changes and offer suggestions.

Continuing committee interest has lent a sense of urgency to the project. Department officials now are considering speeding it up by hiring outside consultants at fees of \$25,000 to \$50,000 each.

This practice of bringing in outside consultants to make studies for federal agencies will come under close scrutiny in the coming session of Congress.

In recent years, the government has been spending an average of more than \$6 million yearly on management research and advisory services from private firms and universities, a Budget Bureau study indicates.

"This is a growing problem which is costing the taxpayer unnecessary millions of dollars every year," Republican Rep. H. R. Gross of Iowa charges. He is the ranking minority member of the Subcommittee on Manpower Utilization of the House Committee on Post Office and Civil Service.

"The subcommittee will intensify its investigation in this area when Congress comes back," he told **NATION'S BUSINESS**.

"The majority of contracts with outside consultants are unwarranted and duplicate work that could be done—or already has been done—within the government.

"It is sometimes necessary to bring in consultants when qualified manpower is lacking in the government, but there is too much outside contracting where the capa-

bility does exist in the government."

Some federal agencies have been studied over and over by consultants. Major projects have involved the Federal Communications Commission, Export-Import Bank, Civil Aeronautics Board, Interstate Commerce Commission, National Labor Relations Board, Securities and Exchange Commission, Housing and Home Finance Agency, Federal Power Commission, Federal Trade Commission, and Federal Home Loan Bank Board.

The General Accounting Office has urged that greater use be made of government personnel in such projects. The GAO argues that the cost is likely to be less, previous experience in government affairs is an important factor in conducting a study, and consistent use of the government's own management analysts will build up a group of specialists who will be a valuable asset in the future.

"The management skills in government are every bit as good as those outside," says Charles J. Sparks, chief of the U. S. Civil Service Commission's Management Systems Division and president of the Management Analysis Officers Group, an organization of top federal management personnel.

"When you go outside you may get a fresh viewpoint and more manpower," he concedes. "Sometimes a department has the dollars but not the extra men for a particular management survey. Time spent orienting an outside consultant in a particular government operation can be costly at several hundred dollars a day, though."

The GAO also has charged that several outside studies were not adequately followed up: a \$209,000 evaluation of the organization and management of the General Services Administration; a \$70,000 sur-

vey of the government's organization for carrying out defense mobilization and civil defense functions; and a \$50,000 study of the organization and administration of the NLRB.

The General Services Administration paid \$50,000 for a study of space allocation and renovation of its Washington offices at a time when it had 13 space analysts on its own payroll. As it turned out, none of the consultant's recommendations could be used because they were too unrealistic in terms of cost.

What factors normally lead to hiring outside help? J. Robert Loftis, administrative assistant to the Secretary of Defense, lists those which prevail in the mammoth Defense Department, which spends more on private consultants than all other federal departments put together:

- Lack of qualified personnel within the government who can be spared from their current jobs.
- The need for a fresh look at a problem by someone not previously involved with it.
- A desire for third-party objectivity in cases where there is a high level difference of opinion.

Mr. Loftis adds a fourth factor:

"The facts of life being what they are, there are unfortunate instances in which outside opinions are sought simply to add weight to an idea which someone wants to sell to his superiors."

Representative Gross asks:

"Is it too much to hope the day will come when some foundation or agency of government, richly endowed by Congress, will make a study of and record for posterity the anguished wails of taxpayers when they learn how their money is being frittered away on boondoggles such as these?"

END

Balanced talents bring team success

Choosing the right personality mix makes task forces more productive

CHANCES ARE that you've set up a small team to tackle a business problem recently or have been appointed to such a team.

Executives report that they are now relying more on special task forces to solve problems or to direct projects. Many have found that full-dress committees are too unwieldy to handle some assignments; yet, one man often can't handle them either.

Dause L. Bibby, president of Remington Rand, states the case for team play this way:

"The day of one-man intuitive rule is dead. No one man, whatever his talents and dedication, can

be expected to know all the facts about all facets of his organization. New technologies, customer demands, increasing competition and market research combine to produce one awesome fact: We have more information than we know how to use.

"Within this changed climate, we at Remington Rand have initiated a team approach to translate ideas into profitable products."

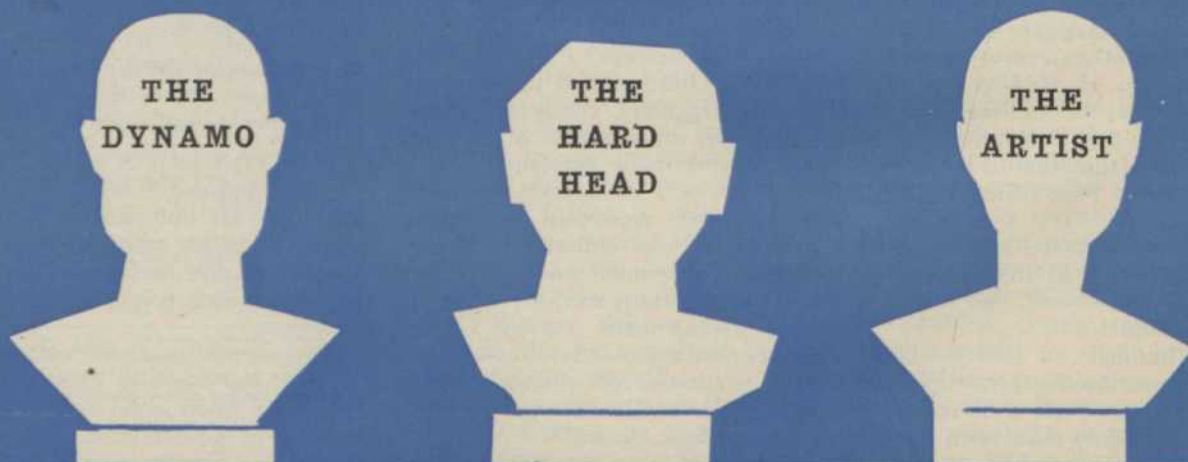
Many organizations have made the task force an accredited part of their operations. Says Earle Langeland, vice president for production of American Maize-Products Company, Roby, Ind.:

"The small team has been our mainstay in providing rapid action in cases needing quick, sustained attention. Recently, as the price-cost squeeze on profits became acute, a group consisting of the production manager, engineering manager, plant controller and a special projects man came up with a 35-point profit improvement plan in a little over a week's time.

"In groups of two or three, the follow-up in each area is being performed. Based on past experience, results should start to flow weeks sooner than would have been the case if regular channels had been used."

Since such small groups seem destined to play a larger part in business progress, the executive who knows how to marry minds—to create task forces that function effectively—will have a definite edge over the competition, in or out of his company. Knowledge of how such teams function is equally important to the executive who is appointed to one.

Small groups lack two elements that may be easily applied to larger committees. Smaller units can't be



organized in the same sense—particularly if they have only two or three members. And the question of leadership may be more difficult. Consider the problems in the two-person relationship known as marriage, and you get the picture: unclear division of authority, who's responsible for what, whose standards are to be accepted, and so on.

When you form a group of two or three people and put them on a job, you're not simply adding their skills together. Mr. Bibby puts the relationship this way: "With the team approach, the benefit of group interaction is achieved, a factor that creates a new capability above and beyond the mere arithmetical addition of personalities."

Your awareness of the dynamic elements, the interactions within the group, helps you line up a team that clicks.

Your job will be easier if you determine in advance:

- What needs to be done.
- The kinds of people who are needed.
- Which people work best together.
- How to get them to do it.

What kind of job is it?

Different tasks impose different requirements. A group that will deliver top results in administering a suggestion system may be incapable of developing a new product line—and vice versa.

A team with an informational job must be able to gather data, to probe and analyze, and to come up with conclusions based on the findings. A manufacturer of office copying machines faced this type of problem in trying to learn the latest office copying needs for which his equipment could be modified.

An administrative job requires the ability to focus on checkpoints that make for satisfactory control; fast reflexes that help you keep on top of developments; decisiveness. A four-man team set up by a brokerage house to supervise its application of data-processing equipment is an example.

Organizational jobs are those which require the ability to plan, to direct and instruct, to motivate, to deal with unexpected developments, to cope with complications as they arise. A printing company appointed one of its officers to set up a publishing division. He recruited two assistants to give his task force the array of skills demanded by the problem.

Creative jobs demand a team that can produce, develop and apply ideas, break with past approaches and methods, see old problems with a fresh eye, and relate new problems to past experience. Engineering projects, particularly those along the new technological frontiers, are prime examples.

Once you've clarified in your own mind the general nature of the job, you're ready to take the next step.

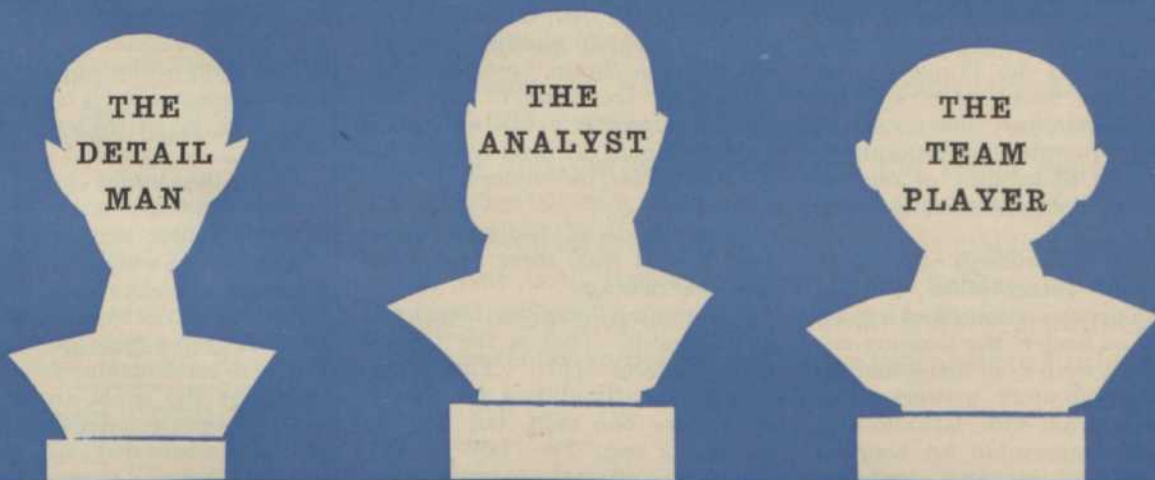
What qualities does it take?

Now you must pinpoint the people who are needed.

For most purposes, your team is likely to be most complete and effective if its members possess six key characteristics. These characteristics may be found in two individuals. In some cases, they may be spread over a larger number. But next time you organize a project team, see whether these types are represented:

The dynamo. He's the pusher, the nudger, the one who's aware of deadbeats and deadlines.

The hard-head. He's the man who says, "I know



BALANCED TALENTS

continued

it's never been done this way before. Let's try it." He helps "keep the group's feet on the ground. He's apt to be called a realist, or a cynic.

The analyst. He's outstandingly cerebral. While others may gloat over how well things are going, he's worrying about tomorrow. He's a trouble-spotter.

The artist. His specialty is creative thinking. He'll produce ten suggestions while others are laboring to come up with one. He often needs to be controlled. Someone—usually the hard-head—must separate the wheat from the chaff of his mental output. But the artist is essential if the task requires something new and different.

Smith College Professor Michael S. Olmsted, in his book, "The Small Group," has this to say of the artist:

"In actual groups, one often encounters a member with a flow of original ideas and another member who, though he has no particular ideas of his own, is adept at putting together the contributions of others . . . they are different functions."

The detail man. He has a head for figures and the patience to stick with them. He'll take pains, split hairs, double and triple check. For complicated tasks, where many small elements must be integrated, he can be a life-saver.

The team player. His outstanding quality is loyalty to the cause. You can wake him at two in the morning and ask him to hop a plane to Tokyo and he'll go without a grumble.

Of course, in practice, there tends to be a strong connection between the function of the team member and the quality he brings to the effort. A case history described by John H. Kostmayer, vice president of First Investors Corporation, sponsor and distributor of mutual fund plans, makes this relationship clear.

"We had the problem of creating a new visual presentation. We appointed a group consisting of a sales manager as leader, the training coordinator, a writer, an artist and an expert in regulatory matters. The leader was given wide latitude and was made responsible for keeping me posted on progress, probable costs, and regulatory considerations.

"The group functioned quite successfully, the leader provided the necessary impetus; the creative personnel were prolific in their

production of ideas; the training consultant saw to it that the presentation remained teachable and learnable; our expert on regulatory affairs saw to it that we complied in detail with the necessary regulations."

Which types team up best?

In developing your team, you'll want to remember two principles:

The rule of "likes": Sociologists use the term homogamy to describe the fact that some husband-wife teams are formed on the basis of similar backgrounds—economic, educational, and so on.

Generally, staffing your group with people who are similar in age and sense of values provides a good basis for mutual understanding and insures a minimum of friction.

The rule of "opposites": Sociologists use the term heterogamy to cover husband-wife pairs who have selected one another on the basis of complementary traits. Heterogamy refers to the situation in which the

How new congressmen
rate the issues for
the 1963 session is
analyzed in a special
article on page 38

member of one social group will marry a person from either a higher or lower group than himself or herself; a moderately intelligent person will marry a "brain," or vice versa.

Teaming according to the principle of opposites works well when the individuals involved respect the specialties—and differences—of their teammates.

Observations of two-man teams show that at least three basic relationships develop.

Sometimes a "man-boy team" will be the result. This is the typical leader-follower pair. This combination usually suits a job that is too big for one man, but not big enough for two. The "boy" in this case may be given the legwork to do, or the responsibility of keeping track of details.

In the "doer-adviser team"—a second type—the active half of the pair is usually capable of independ-

ent action. His lack may be in specific training, or experience. The adviser, usually a specialist or expert, supplies the information and suggestions that keep the doer on track.

Finally, a team of equal partners may develop. The best example of this kind of team is the "inside man" and "outside man" that run many small businesses.

A basic question you face in forming your task force is that of size. How large should the group be? Two guidelines suggested by Victor I. Bumagin, director, Collier-Macmillan Library Division, relate to the nature of the task: "The scope of the job and the speed with which you need answers frequently govern the number of people assigned."

In general, your answers to the question of group size must balance between these two extremes:

Use the smallest number of people possible, to eliminate communications lags and other human friction losses that set in as a group grows.

Use the number that will give you the highest satisfactory level of qualification.

For example, you want to set up a group to review the costs and consequences of a company executive development program. You have two assistants who you're pretty sure could do a good job of gathering and analyzing the facts. But you decide to add a third man, who embodies both the dynamo and hard-head. With his participation you feel you'll get a more incisive job of probing and evaluation.

How to get the job done

Leadership of a task force is complicated because it consists of two elements: internal and external leadership.

One of the group—and this usually applies, even if it's a two-man team—must be given leadership responsibility.

It is the leader who sets the group's standards, not only the level of performance expected, but also the means by which goals are to be achieved. For example, we take it for granted that cooperation is the most desirable form of interaction. But it's conceivable that in some situations the goals are of such a nature that competition between group members may produce better results. One way or another, the internal leader sets the tone and work pace.

Generally, there also exists an authority higher than that of the group leader. Usually, it's the executive

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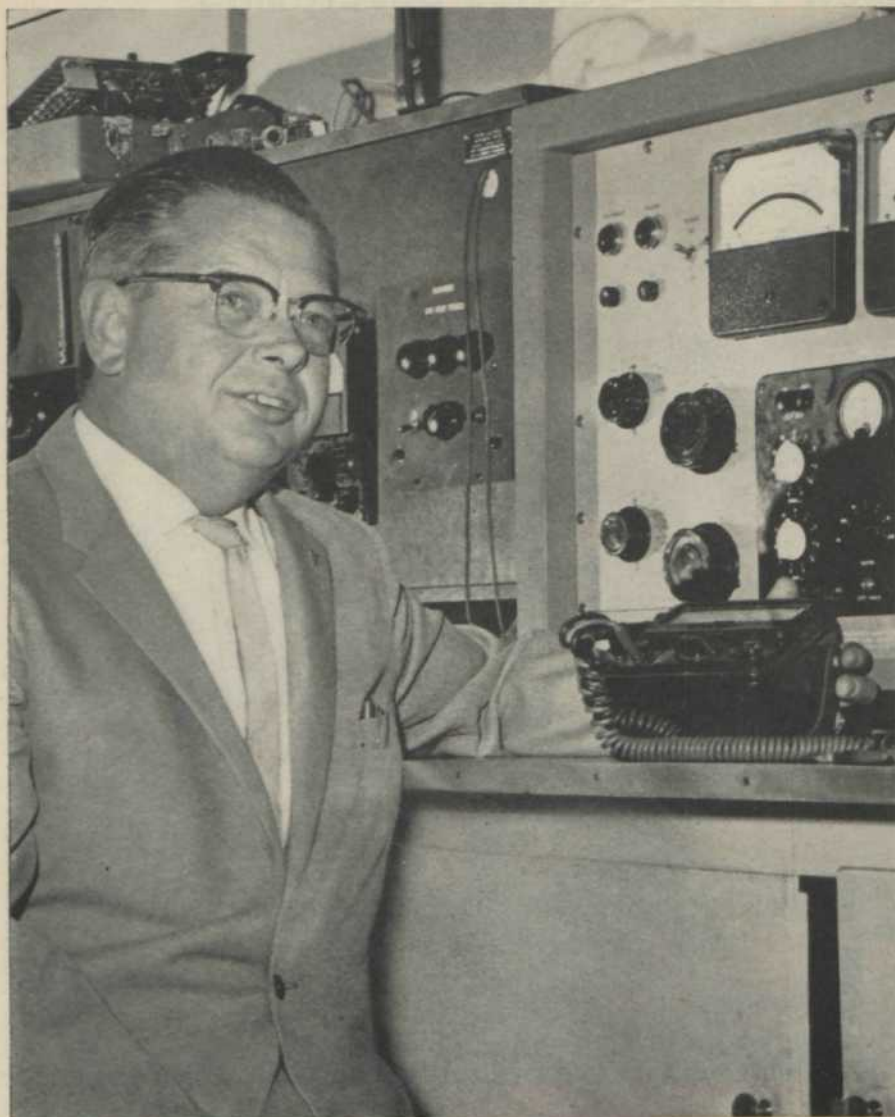
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BALANCED TALENTS

continued

who set up the team. These two authorities must cooperate.

If external leadership is too strong, internal leadership is apt to be blunted and ineffective. If internal leadership is permitted to function without guidance from the outside, basic objectives may be missed entirely.

Group members must be told what's expected of them, whom they'll report to, and so on. Many failures can be charged off to vague instructions, or inadequate explanation of how one group member is to work with another. Of particular importance is the need to answer the question, "Who's boss?"

The executive who sets up the team may lay down the ground rules for each member. Or he may appoint the group head, leave it up to him to give the others their assignments. But each man on the team must have a clear picture of what he's responsible for. There's another benefit of clarification on this point, aside from the obvious one that the man must have it to perform. Clarifying his assignment gives the individual the implied assurance that he will get credit for the performance he turns in.

Philosopher and psychologist George Herbert Mead continually stressed the uniqueness of the small group whose members can work closely together. Such group experience, he said, plays an important part in developing the individual's social awareness.

The great *esprit de corps* that can be created in small groups has often been observed. Executive developers, for example, repeatedly note the reaction of executives to the break-up of training classes. The students have lived together, group solidarity has been forged. "Let's not lose this," one man says to another.

A man who worked as a small cog in a large and vague operation with which he could not identify may feel himself to be more important, more potent, as a member of a small team. He will not only be more effective, he will be happier.

—AUREN URIS

REPRINTS of "Balanced Talents Bring Team Success" may be obtained for 15 cents each or \$9 per hundred postpaid from Nation's Business, 1615 H Street, N.W., Washington 6, D.C. Please enclose remittance.

New surge

continued from page 35

an even smaller expansion of output in 1963. This not-so-cheerful view is partly based on a pessimistic interpretation of U. S. trends. In Italy and the United Kingdom lack of confidence in the ability of the authorities to keep the economy growing is also a factor, while in most countries official circles are preoccupied with combating inflation.

In fact, most West European economies are still overstrained. The labor shortage is generally as acute as at any time since World War II, though U. K. unemployment this year has been substantially above the 1961 level. Consumer demand is soaring, with wage increases far outstripping productivity. The inflationary anxieties of official circles are well based.

Consumer prices have averaged about four per cent higher this year than last—the most rapid increase since 1957. A similar rise seems likely in 1963.

The real danger in the present mood is that by damping investment it may cause the slower growth in demand which is feared. In spite of soaring consumer purchases and near-capacity output, the profitability of investment is declining. Partly as a result of the Common Market and European Free Trade Area tariff cuts, partly because of government price policy, but chiefly because of rising wages, there has been a steady squeeze on profit margins. With a high proportion of investment self-financed, particularly in Common Market countries, this squeeze on margins could in the longer run have serious effects.

Consumers bolster economy

A slowing in the growth of investment next year will, however, be more than outweighed in the short run by the boom in consumer demand.

This should also sustain the rapid growth of exports, in spite of unfavorable trends outside Europe. In the past three years trade between the European OECD countries has risen nearly four times as fast as have their exports to other areas.

Last year, 9.5 per cent of their combined gross national product went to trade between them, while only seven per cent was exported.

It is not surprising that each recession or slowdown in the U. S. has less effect than the preceding one.

Over-all the prospects for next year are fairly good. Real GNP will probably grow by more than 4.5 per cent in the Common Market against five per cent this year. In West Europe as a whole, growth will be much the same as in 1962—something less than four per cent. Much depends, however, on Britain, whose real GNP has probably grown by under one per cent this year. Next year is likely to see a recovery, but its extent will be determined by politics, by Common Market developments, and by how far the external position allows an expansionary policy.

European integration has been an important reason for the rapid growth of the recent past. British, Danish, Norwegian and Irish membership in the Common Market should stimulate their slow-growing economies, too. It is unlikely that they will formally join before 1964 but trade expansion will probably precede actual tariff cuts.

The great majority of businessmen in these countries favor membership, and, if agreement comes, it should bring a surge of confidence.

French outlook brightest

Among the six Common Market countries the most cheerful prospects are in France, where with more labor—including refugees from Algeria—real GNP probably will rise by about six per cent. Fairly rapid expansion also is likely in Italy and the Benelux countries. But in West Germany growth will slacken to around three per cent, because of the unexciting export outlook, the acute labor shortage, and steps being taken by the Bonn government to fight inflation.

The Scandinavian countries too, Denmark excepted, will probably have a poor year; foreign demand for their raw material products is stagnant and unlikely to revive until late '63.

European growth probably will be more rapid in the second than in the first half of next year. But prospects for U. S. exports could worsen after July, when the Common Market countries reduce their internal duties by 10 per cent and make a second move toward their common external tariff. This will sharply increase most German and Benelux duties on U. S. goods, though cutting high French and Italian tariffs.

Moreover, British and possibly Danish, Norwegian and Irish mem-



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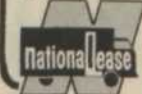
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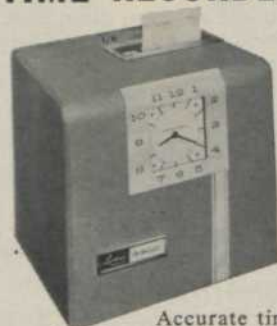
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New surge

continued

bership in the Common Market should then be settled, and adjustment to the new trading pattern

beginning. But enlargement of the Common Market should widen the scope for direct American investment.

Moreover, the steady rise in European prices is eroding the effects of tariff barriers; in the long term U. S. goods are becoming more, not less, competitive.

LATIN AMERICA:

General prospects not good



BRIAN V. DE SOISSONS, manager of the Western Hemisphere and Australasian Department for EIU, has worked mainly on Latin American assignments

LATIN AMERICA may suffer economically in 1963 from the effects of political instability.

Of the region's three major nations, Mexico alone seems certain to avoid trouble. In Brazil, the current political impasse may be removed in January by a return to presidential government, which would improve present prospects; but even so, left-wing pressures will remain strong. Argentina's persistent political crisis is not really over, and should next year's elections show still widespread support for Peronism there could again be trouble from the army.

In Chile, 1963 will be clouded by the approach of the 1964 presidential election, which the socialist-communist popular front might win; in June, Peru will try again to elect a president democratically, after a year of army rule, without any certainty that things will go smoothly; and stability in Venezuela will at best be precarious.

These prospects are bad enough,

suggesting the possibility of further capital flight, and hesitance among foreign investors.

Unfortunately, the economic outlook is not rosy either. Brazil, Argentina, Colombia, and Chile are all in payments difficulties. Continued expansion in Colombia and Chile will depend heavily on substantial aid, while Brazil and Argentina, both in need of a bail-out, will probably still be frustrated in 1963 from making the most of their industrial potential.

Even Peru, whose buoyant and diversified exports have kept it out of external difficulties, has social problems of such magnitude that a higher capacity to import and expand is desirable if an explosion is to be avoided.

A common regional problem is poor world commodity prices. Unless export earnings can be raised, Alliance for Progress aid will remain a palliative; but here the outlook is not encouraging.

Cotton, and with it Peru and

Mexico, may do better if U. S. policy changes in January reduce the export subsidy.

Lead's statistical position is improving, thanks mainly to production cuts, but it will be some time before prices respond. The price of copper, now stabilized by producers, is unlikely to rise greatly.

It is doubtful whether the new international coffee agreement will do much to help, for example, Brazil or Colombia. Tin prices would have to rocket to please the Bolivians. And the outlook for sugar is uncertain.

On the whole, the region will have trouble increasing earnings from these traditional exports.

Latin America has, therefore, a

strong motive for developing the export of manufactures and replacing imports, in order to afford capital goods needed for development. Potentially, the Latin American Free Trade Area can help significantly here, and 1963 may well show a sharp increase in emergent intraregional trade, at the expense of traditional suppliers.

A number of industries may bring forward regional integration plans for their products, involving complete removal of duties, in which case real progress will result. But LAFTA is still young, and even if its schedule of tariff reductions is maintained, its effects in 1963 will not be strong enough substantially to improve a depressing prospect.

ASIA: Japan promising for U. S. exporters



R. N. WOOD, specialist on Asia for EIU, is an honor graduate of Oxford University and a co-author of a booklet, "The Japanese Economy"

MOST ASIAN countries face unexciting prospects in 1963.

Nearly all of these countries are exporters of primary products, currently at depressed prices. In many places, therefore, exchange reserves will remain low. More imports will be possible only if there is more foreign aid.

Japan is an exception. It's the one country in Asia with a really substantial industrial base, and is always one of the brightest spots in the world economy. It is true that the payments crisis of 1961 brought a gentle application of the brakes, and expansion has been slower this year; but exports surged ahead again in mid-1962, and, while shipments to the United States may

not expand much in 1963, there is the promise of a considerable increase in sales to Western Europe and the communist bloc.

Japanese growth next year should be at a higher rate, and the market for imports should receive an additional boost as a result of liberalization.

Further expansion in Japan should stimulate Taiwan and, assuming political stability, South Korea. Rising incomes in Hong Kong will widen the market there for imports of consumer goods, and Hong Kong still looks attractive as a field for investment. No real improvement can be foreseen in Philippine trade although recent efforts to correct the distortions of its

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New surge

continued

economy may allow a modest domestic expansion. The settlement with the Netherlands gives Indonesia a fresh chance to put its house in order, but it is unlikely to take it. Nor is any other country of Southeast Asia in a position to improve much on the rather modest 1962 performance.

India is doing badly and it is hard to see much improvement in 1963. Exports are stagnant and foreign aid promised is not sufficient for the country's needs. Imports

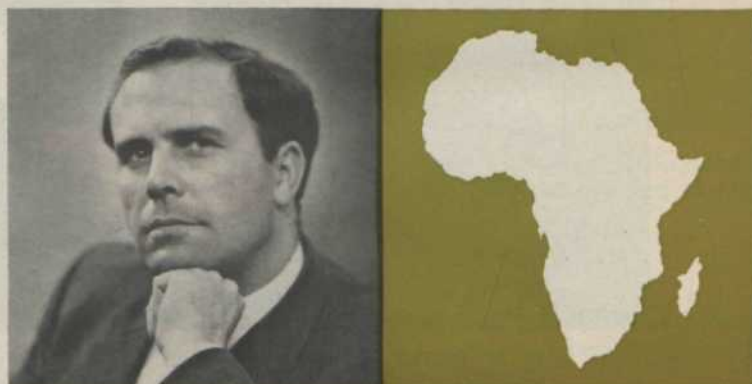
have been cut and may be cut again, hurting Indian industry as much as foreign suppliers. In Pakistan, however, industry is booming.

With world supplies of petroleum continuing to outrun demand, even the oil-rich Middle East has trade problems. Iran, Kuwait, and Saudi Arabia should increase their production fast enough to offset low prices, but Iraq's petroleum prospects are less good, though it will be helped by this year's bumper cereal harvest.

For much of Asia, the outlook is gloomy. Here above all, the underdeveloped countries must industrialize before they prosper. It is industrial Japan that offers most to the U. S. exporter.

AFRICA:

Progress seen for independent states



R. D. EMERSON, manager of the African, Asian and General Department of EIU, currently is directing research into trade problems in underdeveloped countries

AFRICAN political fireworks will continue next year. The turmoil will come mainly in those countries where independence has not yet been won—Rhodesia, Mozambique, and Angola—and where the transition stage is causing chaos—Congo, Kenya and Algeria.

Least promising are the prospects for Central Africa, where federation is unlikely to survive 1963. The economic impact of break-up would be: greater wealth for Northern Rhodesia, which will no longer share its enormous copper revenue; less wealth for Nyasaland but more foreign aid in compensation; disaster for Southern Rhodesia, where loss of revenue will be matched by

loss of confidence and accompanied by grumbling revolt.

South Africa and the Portuguese territories suffer from deep internal uncertainties and their economies are accordingly brittle. Exchange and import controls have put a good façade on South Africa's economy with reserves currently at record levels. Long-term prospects are unchanged, however, and lack of confidence is holding the country back.

In the remaining independent countries there are average chances that political stability will spur economic progress. The trend in most cases is towards boosting farm incomes. Foreign exchange shortages, caused by worsening terms of trade,

have forced most countries to restrict imports designed to meet increasing consumer demand and to concentrate instead on establishing import-replacing industries.

Development plans throughout the continent aim, too, at greater diversification and at increasing local processing industries. Thus Nigeria's development plan will necessitate increased imports of capital goods, but restrictions on other imports will probably be introduced.

Ghana, too, will continue to increase reserves by maintaining import restrictions. However, its new development plan should help to encourage investors.

The former French territories will benefit from the European Common

Market aid fund in 1963 and new schemes to increase production and purchasing power will be initiated.

In North Africa better crops in Morocco and Tunisia will allow more concentration on development, while Egypt and Sudan expect record cotton crops. Libya's oil exports will rise steeply and Algeria's oil and aid would provide the means for recovery if only stability and trained personnel were not lacking.

In the Congo, preoccupation with Katanga may lessen to allow some consolidation of the economy and a slight export revival.

Although 1963 will not be easy for any African country, and perhaps disastrous for some, progress should be made in most independent states.

economy to attain more sustained growth in the future. The scale, efficiency and export performance of manufacturing industry must be increased.

Aware of the challenge, the government is taking further steps to encourage industrial expansion.

Mexico

The year before an election in Mexico tends to be slack, as business waits to see which way the new broom will sweep. Yet, unless the crisis over Cuba once more saps foreign and domestic confidence, government policies will likely bear fruit, and permit the achievement of the 5.4 per cent growth rate aimed at in the plan submitted to the Alliance for Progress.

The Mexican government intends to stimulate investment by encouraging local manufacture of 500 products now imported, and this program should begin to take effect next year. Incentives offered include exemptions from tax and duties, tariff protection, encouragement to export and help in finding capital. Somewhat high-handed steps have also been taken to replace the assembly of cars and typewriters by their complete manufacture, by limiting the range of models that may be assembled. This should allow reasonably competitive production of complicated products, and by next year should yield an important exchange saving.

Mexico should be less hamstrung than other Latin American countries by balance-of-payments difficulties in 1963. For one thing, its political tranquility and monetary soundness have won it golden opinions in world financial circles. An example of the advantages of this is the recent \$50 million loan to Petroleos Mexicanos by a group led by the Chase Manhattan Bank.

The country may also benefit from an improvement in cotton prices. It is nonetheless aware of the advantages of escaping unfavorable terms of trade by developing exports of manufactures. It may be expected to play a leading part in the 1962 Latin American Free Trade Area conference in Mexico City, and continue in 1963 to expand its exports. **END**

REPRINTS of this series of six articles, "World Economy Priming for New Surge," may be obtained for 20 cents a copy or \$12 per 100 from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.

CANADA-MEXICO:

Neighbors face mixed prospects



J. D. FROGGATT, specialist in North American and Caribbean affairs for EIU, was responsible for a major investigation of developments in trade and industry

CANADA'S traditional economic role may soon alter significantly.

President Kennedy's Trade Expansion Act and Britain's approach to Europe foreshadow major changes in Canada's relations with its leading trading partners.

The process will not be simple. One tactical lesson was learned last year when the attempt to reduce dependence on United States capital got out of hand and a serious financial crisis developed. The confidence of foreign investors now is recovering. Direct U. S. investment in Canada has not been unduly discouraged. It promises to be about the same in 1963 as in 1962.

Another reminder next year of

Canada's intimate economic links with the U. S. will be less reassuring. A slowdown in U. S. activity would constrict Canadian expansion. The government may be on a razor edge between keeping the economy moving and preserving its external payments position. Interest rates may have to be kept higher than is internally desirable and public spending is being cut to balance the budget.

Import surcharges imposed in last June's crisis are, however, in the process of being removed—a point for exporters to Canada to watch carefully.

The real test in 1963 will be the progress made in reshaping the

WHY RUSSIA LIES

continued from page 43

governments by fostering the line that these governments do not represent their citizens because they are puppets of the United States.

Examples of each:

► A faked letter from Nelson Rockefeller to President Eisenhower designed to show that the United States cynically manipulates military and economic foreign aid to gain world domination.

► A phony story to the effect that American intelligence services supported extremist French generals in Algeria in a plot to overthrow President de Gaulle.

► A falsified letter from the U. S. State Department to Ambassador Timberlake in Leopoldville designed to portray Moise Tshombe as a hireling of the West.

How news is used

Manipulation of the press for domestic political purposes is a constant tool of Soviet deception, as shown by a recent guide for the Soviet journalist:

"News must be organized, else

it is news of mere events and happenstance . . . News must not merely throw light on this or that fact or event—it must pursue a definite purpose . . . News is agitation via facts. In selecting the news topic, the writer of the story must proceed above all from the realization that not all the facts, and not just any event should be reported in the press."

Former communist Arthur Koestler, an eyewitness to the horrifying starvation in the Ukraine where millions died during the winter of 1932-33 after forced collectivization of agriculture, notes that "not the slightest hint of the true situation was allowed to appear in the press, not even the Ukrainian press itself."

"Every morning as I read the *Kharkov Communist*, I learned only about plan figures which had been attained or exceeded, competitions of factory shock-brigades, bestowals of the Order of the Red Banner, new giant plants in the Urals . . ."

How about 1962?

Reliable reports reached the West about mobs cut down by gunfire while rioting in protest against the rise in food prices. Yet not a word appeared in the Soviet press except

for hints of rowdiness. American and other delegations previously scheduled to visit the riot area were rerouted, with explanations ranging from the absence of hotel rooms to an outbreak of plague—none of which were mentioned in the press either.

Soviet Agriculture Minister Pyzin, questioned about reports of the riots during a recent Washington visit, flatly denied that they had happened.

Wooing the undecided

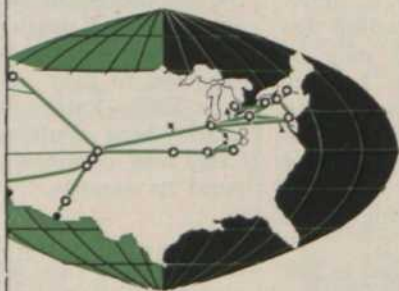
Soviets who woo newly developing nations can point to their Decree of Peace at the end of World War I pledging the support of all peoples in their right to self-determination.

Yet Russia's behavior in Eastern Europe, contrasted with protestations of friendship with African and Asian nations, recalls Stalin's remark:

"We are opposed to the secession of the border areas of Russia, since secession in this case means imperialist subjugation for the border areas; it means a weakening of the revolutionary might of Russia and a strengthening of the positions of imperialism."

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tion's shortness of memory, Russian propagandists won a prize with a film glorifying Somali independence at a film festival in Somaliland, a former Italian colony which the Russians had unsuccessfully demanded from the West as a reward for having helped defeat Italy during World War II.

A persistent theme of covertly planted propaganda during recent years is that the West should not press Khrushchev too hard, lest he be replaced by militarists, old Stalinists or others who share the Red Chinese hard line.

Western experts note that the same trick was played by Stalin, who had cited the pressure of extreme Ukrainian nationalists at home in his demands for annexation of Ukrainian-speaking Poles.

Yet Khrushchev later noted that Stalin would have deported all Ukrainians had there not been so many of them.

This came out during the denunciation of Stalin which ended a conspiracy of silence following Stalin's death.

Communism's tradition of deception goes back to its origins.

The famous expression—"Promises are like pie crust made to be broken"—is attributed to Lenin. The rare truth of the statement is seen in the remains of a broken treaty to be found today at every point of East-West conflict.

The Bolsheviks started during World War I by junking their commitments to the Western allies and concluding a separate peace with the Kaiser's Germany. But the Germans, confronted with a "no peace, no war" refusal by the Russians to reach terms, had to resume hostilities to force signing of the Brest-Litovsk treaty.

In his account of the affair, diplomat George F. Kennan remarks that Russian historians later had the effrontery to claim that the Germans were able to renew their offensive because the Western allies all but quit fighting.

"In many years of historical falsification, I cannot recall seeing any statement more shameless than this," wrote Ambassador Kennan.

Lenin later dismissed fears of his comrades that the Brest-Litovsk treaty might be observed. "Yes, of course, we are violating the treaty; we have violated it 30 or 40 times."

As early as the 1920's the Soviets took a hand in violating the Versailles treaty by concluding a secret agreement with German militarists to train German pilots and tank experts, experiment with weapons and



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WHY RUSSIA LIES

continued

manufacture war materiel on Soviet soil.

This was despite a Soviet decree that: "The government abolishes secret diplomacy and on its part expresses the firm intention to conduct all negotiations openly before the entire people..."

The Soviet Union, by attacking China in 1927, gained the distinction of being the first major power to violate the Kellogg-Briand pact renouncing war.

Later, in negotiating American diplomatic recognition in 1933, Russian Foreign Minister Litvinov pledged his government to abandon all forms of subversion against the United States.

Within five days, however, he stated that this agreement did not apply to the activities of the Comintern, whose avowed purpose was "the struggle by all available means, including armed force, for the overthrow of the international bourgeoisie and the creation of an international Soviet Republic." Soviet espionage here continues to this day.

Record of broken treaties

Also during the pre-World War II period, Russia signed friendship treaties with her neighbors, including Finland and the Baltic states of Estonia, Latvia and Lithuania, adding a nonaggression pact with Hitler that contained a secret protocol defining communist and Nazi spheres of influence in Eastern Europe.

The three Baltic states were assimilated by Russia under the pretext that they were planning to gang up on her in violation of their treaties.

The war against Finland was described as being in response to a Finnish attack.

Yet Premier Khrushchev asked in a 1958 speech: "... are not some circles afraid of the very idea of a nonaggression pact, the conclusion of which the Soviet Union has been advocating, an idea which is being increasingly supported by all peaceable peoples and by the governments of some states?"

When Russia and the West had become wartime allies, Stalin cynically dismissed his nonaggression pact with Hitler as a device designed to gain time for a defense build-up, ignoring the advantage it gave Hitler against the West.

A classic example of Soviet du-

plicity during the war is provided by Polish General Tadeusz Bor-Komorowski, who headed the resistance fighters against the Nazis.

He told how the Soviets urged the Poles with enough courage and guns to be troublesome later to rise against the Germans as the Red armies neared Warsaw.

The Poles then staged a revolt within earshot of Russian guns but help that was promised never materialized.

As the Poles fought a losing battle against the retreating Germans for two months, the Russians halted their own advance, withheld air support, halted and disarmed resistance units heading for Warsaw, denied Allied planes use of Russian airfields to help the Poles, and broadcast propaganda blasts against the resistance leadership.

Only when the Poles had surrendered to the Germans did the Russians resume their advance into Warsaw.

Postwar friction in Germany stems directly from Soviet deeds such as violation of the Potsdam agreement, and the "gentlemen's agreement" regarding access to Berlin, and secret remilitarization of East Germany in 1948 under the guise of a police force.

The Soviets' respect for the Yalta agreement is clear from a government report noting the provisions requiring inclusion of all anti-Nazi Poles in the postwar government:

"That the Soviet Union had little intention of observing this agreement became evident almost immediately, when, on April 21, 1945, it concluded a formal treaty with the (Moscow-dominated) Lublin Government. The USSR did everything it could to hinder the participation of noncommunist Polish leaders in the discussions in Moscow which were intended to reorganize the provisional Polish government. Sixteen prominent Polish leaders were arrested and imprisoned when they attempted to attend these sessions."

"What a picture of deception"

Soviet moves to crush the revolt in Hungary and the kidnaping and execution of Premier Imre Nagy managed to violate the United Nations Charter, a solemn Soviet pledge to withdraw Russian troops and assurances of safe passage given Nagy by the Moscow-dominated Kadar government.

Commenting on reports from Hungary in the United Nations, then Ambassador Henry Cabot Lodge

complained bitterly: "... what a picture of deception we have had!"

Former U. S. diplomat Charles W. Thayer gives an insight into Soviet tactics at the bargaining table in his account of a negotiating session with Russia's Simyon Tsarapkin, who is still very much in business.

During Korean armistice talks, Thayer and Tsarapkin had agreed to exchange estimates of the strength of various political factions in North and South Korea. A simultaneous exchange was arranged to prevent one party from padding his estimates to offset those of the other.

"When I appeared somewhat tardily with my estimate, I asked Tsarapkin if he had prepared his," recounts Thayer in his "The Diplomat."

"He replied that his had been ready for some days, and patted his briefcase in confirmation.

"I passed him my estimate and after he had read it asked for his.

"I left it at home," he said nonchalantly.

"Furious, I reproached him with being a damned liar but he simply laughed.

"I never said I had the paper with me, did I?" he said, turning to the single other witness, his own interpreter.

"From then on, I never faced Tsarapkin without at least one witness."

At the time of the Suez crisis, Russia's Bulganin wrote British Prime Minister Anthony Eden: "We are full of determination to crush the aggressors and reestablish peace in the East by using force."

The defected Polish agent Pawel Monat, long a spy in Washington, reveals in his memoirs that the Soviet military attache asked him to spread the word around Washington that Russia was considering sending volunteers to Suez. He asked how this would be done.

"My dear Pawel," was the reply, "do not concern yourself with such details. I can tell you that we do not plan to send volunteers to Egypt at all. That would be nonsense. You are right. But we want everyone to think that we do."

As Mr. Thayer concludes his observations on dealings by Soviet and Western diplomats, "Until the former learn, as the latter learned centuries ago, that probity facilitates negotiation while dishonesty paralyzes it, diplomatic dealings between the two schools will continue to suffer."

END

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HOW TO SELL YOUR IDEAS

Advance planning and proper presentation
will boost your chances of success

MILLIONS OF DOLLARS are lost to business every year because many valuable ideas stay locked up in the minds of executives and their subordinates.

Many men can't sell their ideas to the boss. The basis of this may be simply the fear of rebuff, sometimes based on past rejections. It also can be a reluctance to face up to the enormous task of preparing an effective, salable presentation for an idea. Or some men may feel that the extra effort it takes to convince others of the value of an idea is unimportant compared with having conceived it in the first place. They don't seem to realize that ideas must be sold.

Putting an idea into salable shape requires persistent effort. It may demand more work than origination of the idea. In addition, a lot of courage, imagination, foresight, initiative, resourcefulness, and staying power are needed.

Joseph G. Mason, management consultant in training and personnel relations, points out: "In many cases, the person you are submitting your idea to will not even realize that there is a need for it. You may have to begin at the beginning and go through the whole reasoning process that you yourself followed."

Presenting a new idea is in many ways one of the most crucial aspects of the creative process. Many a brilliant idea dies stillborn at this stage because the manager fails to communicate his brain child to others persuasively. Here are some guideposts that will increase your chances of success:

In most companies the person who must be sold the new idea first is your immediate superior. Selling it to top management then becomes much easier. Eugene Von Fange of General Electric suggests that the best way to secure your superior's backing is to "imagine what he believes is important, and then approach him from this vantage point."

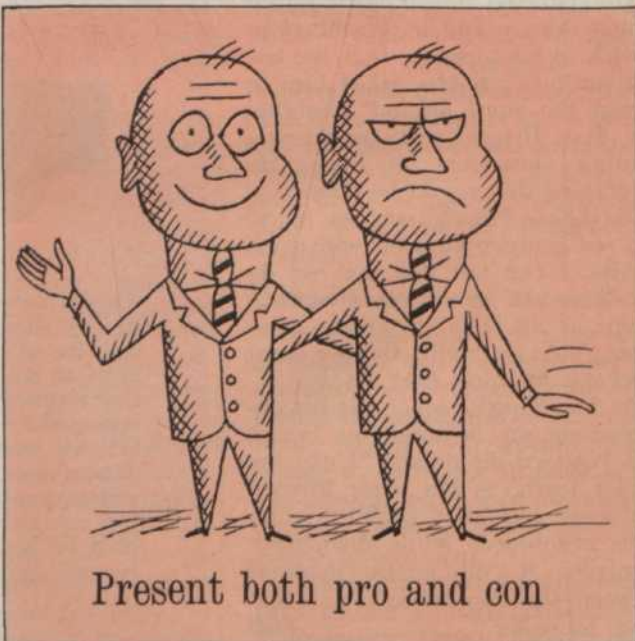
If you have to present the idea to a committee, you should try to sell it before the time of the meeting to one or two members. These individuals often appreciate advance confidence and will rally to your side if the going gets rough during the presentation.

Before actually presenting the idea, you should give a short history of the problem, what led you to investigate the area and how you proceeded to solve the problem and create the new idea.

George R. Eckstein, research associate with Remington Arms Company, Inc., who has been training industry groups in selling ideas for over a decade, advises:

"Show by your conversation that this idea isn't the first one that's popped into your head. You've thought about the problem and you've made various approaches or made refinements until you're satisfied you've got something worth while. The purpose of this advice is to build up status so that when you open your mouth, something worth while happens. The person who goes off half-cocked continuously may be fine to stimulate others around him in an idea session, but when you're ready to 'sell' an idea, demonstrate that you've thought it through."

Mr. Eckstein emphasizes the need for utmost clarity.



ity in the presentation. "Remember, if you have an idea, it is a thing you have worked with for some time. It's clear in your mind but may not be clear to anyone else. It embarrasses a 'buyer' to be told of an idea that he just can't make heads or tails out of; he is resentful."

Don't get overly anxious in anticipating rejection. This can spoil your presentation. On the other hand, you should be prepared to explain the reasoning you used to arrive at it.

The presentation should be made as concise as possible. People get impatient with long-winded preliminaries.

You should be sure, however, that you cover all the pertinent facts.

Mr. Von Fange cautions: "When speaking to a manager, remember that if there is one bother in his life, it is the man who rambles for half an hour on something that could be said in 20 words." He further notes that there is "a curious and widespread tendency to surround proposals or requests with so many commentaries that the request itself can hardly be discerned."

In situations where the audience includes one or several professional people, you'll need to include counterarguments to your idea and discuss these also. This two-sided approach will help you convince the more sophisticated persons of your thoroughness.

The two-sided approach has additional advantages, especially in taking the wind out of objections and arguments that might arise later.

"This approach is superior with those who initially disagree with you because it disarms the objections which they are mentally rehearsing while receiving your message. It is dangerous to assume that arguments favoring the other side will do no harm if left unvoiced. If your audience has these arguments in mind, it is better to bring them out where they can be dealt with," says Prof. James N. Mosel of The George Washington University.

Don't go too fast

The presentation of the new material should be delivered no faster than it can be understood and absorbed. Clear and lucid language is absolutely necessary. Take special care to eliminate trade jargon unless the people who are listening are equally at home with such language.

E. J. DeWitt, president of Wallace Supplies Manufacturing Company, feels that most failures are attributable to the tendency to use specialized language.

"We have had tape recordings of engineers trying to tell management what would be management's gain if engineers' recommendations were to be followed. Reruns of these tapes have been most instructive. Time after time verbal impasses developed. Time after time restudy showed a bogging down over a technical phrase in a layman's discussion. . . . Most people—engineers included—tend to talk with their everyday vocabularies. Unfortunately, the vocabulary of the specializing engineer is not one with which most laymen will be comfortable."

Arguments answering objections or criticisms should be well prepared, but it's a good idea not to

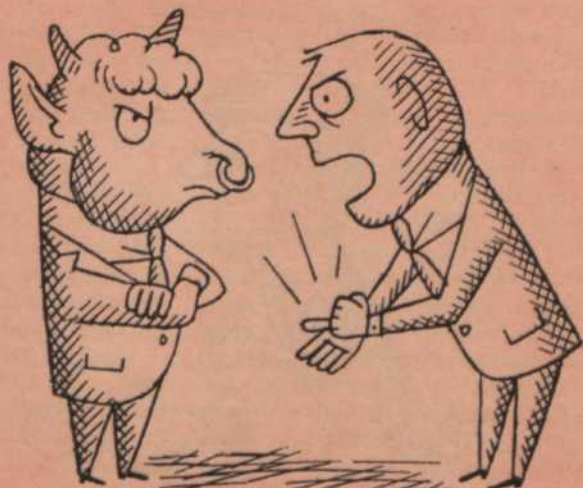


Don't go off half cocked

offer them before they are actually needed. An argumentative approach creates the impression of unnecessary defensiveness. It may change the entire feeling or attitudes of the people who are listening.

Says Dr. Paul R. Lawrence of Harvard University, "A man who goes into his job with the conviction that people are going to resist any idea he presents with blind stubbornness is likely to find them responding just the way he thinks they will. The process is clear: Whenever he treats the people who are supposed to buy his ideas as if they were bull-headed, he changes the way they are used to being treated and they will be bullheaded."

Special attention has to be paid to the practical details of the idea, how it can be carried out. Mr. Von Fange advises, "We should avoid any rash tendency to attempt to sell our idea before we have a definite plan and program to support it. For man-



Beware of argument

agement very generally, and very properly, will refuse to approve any proposed undertaking that is not well planned with regard to its execution." The advantages, as well as the costs and difficulties involved, should also be pointed out. Nothing kills the survival chances of a new idea faster than a purely technical or abstract way of presenting it.

When selling an idea to top management, remember that a strong dollars and cents case must be made. The possible savings potentials or profit potentials and primary selling features should be demonstrated and the presentation should include plenty of "business benefits to us" and not solely "how it works."

People are notoriously poor visualizers, especially when it concerns something unfamiliar. Therefore, whenever possible, it's a good idea to augment your verbal presentation with sketches and charts. Verbal descriptions sometimes are boring and, especially with new ideas, often aren't clear.

When you present an idea your reputation and good judgment are tested. If the idea or presentation is inadequate, it will affect your future in the company and make any future selling of ideas even more difficult. The image your boss has of you is highly important in getting your idea accepted. If you have a reputation for trustworthiness and expertness, it will be easier to sell your idea.

Use the soft sell

Overselling should be avoided. While enthusiasm can be contagious, a superabundance, especially at the beginning of the presentation, will put people on the defensive.

"It is easy to get too enthusiastic about an idea, especially if it is your own," Mr. Mason points out, "and when you begin to overestimate rewards and overstate your opinion of them, it may create doubts among people who would otherwise want to give your idea serious consideration. Actually, the idea itself

may be perfectly good in a more modest sort of way, but obvious overselling can frighten people out of wanting to take a chance on it."

Be particularly cautious when the new idea involves radical change. Your bosses may resent or resist the new idea merely because they were so intimately involved in the past. Talk about the good times ahead, rather than the bad times past.

If the idea is too radical or too big, it should be presented piecemeal, in logical sequence. This prepares the group to accept it gradually.

James A. Houle of Rubber and Asbestos Corporation, Bloomfield, N. J., says that ideas which entail major changes or expenditures are best broken up into three or four parts, each of which can then be installed or introduced separately.

"This progressive step-by-step method," he notes, "is often acceptable to management when the overall 'big idea' involves sweeping changes."

Be careful to avoid an air of superiority or pride when presenting an idea. This may make your listener feel small or inferior and build resistance.

It will help a great deal if you know as much as possible about the people to whom you must present your idea—their temperaments, aptitudes, idiosyncrasies and preferences.

By putting yourself in the boss's shoes all the way through, by trying to imagine how you would react, were the positions reversed, you will be able to do a much better job of interpreting and selling your ideas.

Important to test

One way to help make a sale is to offer to test the idea, if this can be done.

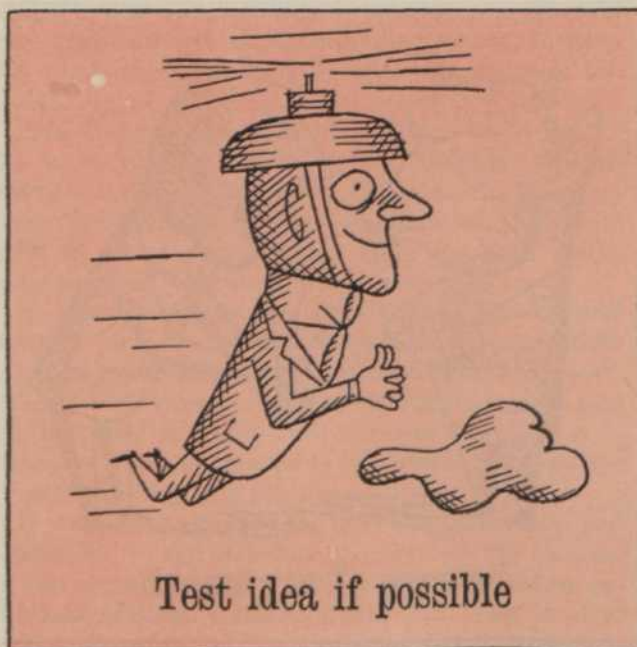
Mr. Houle says, "Any idea that can be subjected to a road test should certainly get one. When ideas are debated instead of tested, a poor idea, supported by a good debater, makes a better showing than a good idea, supported by a poor debater. When ideas are tested, good ideas stand out."

Waldemar Ayres, director of research for Singer Sewing Machine Company, suggests: "Think through every problem likely to arise in carrying out your proposal. Then provide an acceptable answer to show you've anticipated and planned for every such circumstance. A busy executive has all sorts of worries of his own. If, in order to approve your proposal, he has to stop and solve a problem relating to your baby, the easiest and quickest thing for him to do is to say no."

At the end of the presentation, you should sum up the more salient points, the anticipated advantages of the idea, the need that exists or can be created for the idea, and why you think the idea should be adopted.

Leaving copies of a clear, well written report with your listeners will give them a chance to study it later, and perhaps to arrive at your conclusions.

—EUGENE RAUDSEPP
Research psychologist



REPRINTS of "How to Sell Your Ideas" may be obtained for 15 cents a copy or \$9.00 per 100 postpaid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance.

CONGRESS WILL ACT

continued from page 39

who backed the Kennedy health scheme lost. In Michigan, for instance, Democrat Warren Cleary made this the key issue of his campaign against Rep. Victor Knox. Mr. Knox was reelected.

Federal subsidies to public elementary and secondary schools were first on the President's must list last year. A wrangle over whether aid should be extended to Roman Catholic schools killed chances of action during the whole Eighty-seventh Congress. Aid to colleges also bogged down largely over the church-state issue.

Rep. Frank Thompson, Jr., New Jersey Democrat who heads the Select House Subcommittee on Education, puts federal aid for school construction and teachers' salaries at the top of the list of measures he wants to see passed.

Another New Jersey Democrat on the House Education Committee, Rep. Dominick V. Daniels, cites the acceleration of education as a drastic need. He wants Congress to pass "a program providing loans and grants to schools and colleges not only for construction and instruction, but also for student loans and scholarships.

Staunch opposition to general subsidies to schools is based on evidence that communities are meeting their school building and teacher pay needs adequately without federal grants or supervision. More selective federal help, such as the \$5 million-a-year program of grants and scholarships for training practical nurses or the state-matched grants for educational television facilities passed by the Eighty-seventh Congress, appears to have more chance of enactment in the coming Congress.

Likewise with the issue of health care for the elderly. There is broad opposition to compulsory features of federal medicine. There is more chance of passing selective aid, something like legislation this year which increased the allowable income tax deductions for medical and dental expenses. Federal subsidies to buy private health insurance are a future possibility.

As for tax revision, the wide popularity and recognized need for reductions in income tax rates give this the brightest prospect for passage. If reductions are made, they will likely affect every tax bracket, high as well as low. Many of the special tax provisions that provide

relief or incentive to certain taxpayers—will be reviewed with the idea of changing them.

But the cautious treatment Congress gave the Administration's tax proposals in the past Congress indicates minimum additional revision in the coming session.

Firmness in foreign affairs also commands high importance among congressional membership. President Kennedy's great success in legislative action on international affairs—getting the historic trade expansion tariff act passed and the Peace Corps created—may continue in the next Congress, particularly if times are tense. But the long-standing program of foreign aid seems a probable target for attack.

A revised foreign aid policy in which help is "limited exclusively to those who stand with us in opposition to communism" is the recommendation of Rep. Paul B. Dague, Pennsylvania Republican.

Are business fears of government real? Yes, answers a top educator. For his reasoning and suggested cures, see interview on page 60

Another Republican, Rep. John J. Rhodes of Arizona, heads his list of legislative needs with "A comprehensive restudy and revaluation of the entire foreign aid program to be conducted by a special joint House-Senate Committee."

Rep. Paul Findley, Illinois Republican, favors legislation to permit business firms to deduct from taxable income any expenses incurred in carrying out private enterprise projects which would be substituted for governmental foreign aid.

The rising proportion of urban congressmen will be helping to push the Administration-backed recommendations for federal subsidies for mass transit systems and for a cabinet level Department of Urban Affairs.

The idea of a Department of Urban Affairs was squelched by the

last Congress in one of the most lopsided votes on any Administration request.

The shrinking farm bloc can look for new attempts to cut back on expensive agriculture subsidies. The Administration's tight production controls program proposed for wheat, milk and feed grains was drastically changed by Congress this year.

Rep. Albert Quie of Minnesota, for example, calls for repeal of the feed grain and wheat programs and replacement with voluntary land retirement.

If the economy turns downward next year, this will bring renewed interest in unemployment compensation legislation.

Renewed interest in fallout shelter protection is likely. The Administration well might renew its request for a \$500 million program to help prod schools, and other institutions to construct fallout shelters.

Whether or not any major crises develop in the year ahead, Congress is unlikely to embrace drastic economic or social welfare experiments. The Eighty-seventh Congress rejected the President's request for standby authority for public works pump priming and standby power to lower tax rates in event of recession, for example.

In spite of the fact that liberals will have a little more strength, the moderate-conservative forces in both parties have the votes on most issues.

In addition, the Democratic leadership in both the House and Senate just does not command the party loyalty that was extracted by the Texas team of Rayburn and Johnson during Eisenhower days.

Congressional power is now more fragmented and rests more largely than ever in such committee chairmen as Howard Smith of the House Rules Committee and Clarence Cannon of House Appropriations. Rep. Cannon's parting shot to the House before adjournment in October was that in nearly 40 years of service . . . "never have I seen such biased and inept leadership."

Genial Senate Majority Leader Mike Mansfield, in attempting to pass Administration bills, also will have to contend with such independent powerhouses, particularly on fiscal matters, as Senators Harry F. Byrd and Robert S. Kerr, who are chairman and ranking majority member, respectively, on the Senate Finance Committee.

All in all most domestic legislation faces slow going and much compromising in 1963. **END**



ROBERT PHILLIPS

COMPTROLLER GENERAL TELLS:

WHERE GOVERNMENT CAN SAVE MONEY

His recommendations would cut federal spending by millions

PRESIDENT KENNEDY'S promise to seek tax cuts next year re-emphasizes the need for economy in government. Reductions in federal spending to help offset temporary losses in revenue are considered desirable, if not essential, by many in and out of Congress.

To get an authoritative view of where important savings can be made, NATION'S BUSINESS interviewed the one federal official specifically charged with saving money for the government—Comptroller General Joseph Campbell. He heads the General Accounting Office, set up in 1921 as Congress' worldwide watchdog over government expenditures.

In this role, GAO has broad authority to audit government accounts and transactions of most federal

agencies. It also renders legal decisions on proposed payments and transactions and settles claims by and against the government. Perhaps its most important function is providing Congress with objective appraisals of agency financial operations. During fiscal 1961, for example, GAO issued nearly 200 reports to Congress and some 700 reports to federal agencies.

Mr. Campbell estimates the measurable and potential savings as a result of these recommendations at \$95 million. In addition, GAO recovered \$38 million in overpayments made by federal agencies during that year. Mr. Campbell, a certified public accountant with many years of management experience, was appointed by President Eisenhower to a 15-year term in 1954. He is responsible only to Congress.

**Comptroller Joseph Campbell
directs General Accounting
Office watchdog operations
shown on headquarters map**

Mr. Campbell, couldn't government agencies save much more than the \$95 million resulting from your recommendations in fiscal 1961?

I believe so. Some very significant savings have been reported as a result of aggressive management actions. For example, the Department of Defense estimated a savings for the current fiscal year of \$27.7 million in operational costs, and \$229 million in inventory reductions as a result of the establishment of the Defense Supply Agency.

You must remember our audits are made on a selective basis. We place particular emphasis on constructive improvements and correction of apparent weaknesses which will prevent waste and avoid unnecessary expenditures in the future. Much of this work is not readily susceptible to measurement in financial terms. Moreover, since we report only definite, measurable savings, or possible savings, this does not include repetitive benefits resulting from recommendations adopted by the agencies earlier.

I think the important thing here is for the agency to undertake positive, specific action programs so as to attain improvements and reduce government costs without impairing program effectiveness.

Are federal agencies cutting down waste?

You must realize that the federal government is the largest, the most extensive, and, by far, the most complex business in the world. Consequently, government agency managements are faced with a great variety of conditions and circumstances whereby weaknesses may exist which permit significant degrees of waste or inefficiency in the use of money, materials, and employees. This is one of the principal reasons why our available audit manpower is de-

voted to areas where the most good can be accomplished and improvements made.

Despite these difficulties, it is my opinion that we are obtaining a greater degree of acceptance of our findings and recommendations for improving government operations by management officials in many of the agencies. We feel that the intense interest of Congress and its various committees has contributed much to this effectiveness.

It would be extremely difficult to generalize about improvements in government operations since efficiency and economy are only accomplished by positive, specific management actions.

Where could more improvement be made?

We need to give greater attention to the proper utilization of manpower.

I feel that insufficient management attention has been given to this problem, as contrasted, albeit important, with the money and materials aspects of our resources.

As a consequence, government rolls are steadily increasing as new programs and activities expand. In July it was reported the executive branch had 2,511,025 civilian employees. Skills and talents need to be developed and utilized more effectively.

Where else could savings be made?

In the utilization of our material resources and the elimination of potential waste or extravagance, I think we need further improvements in these areas: review and determination of requirements; procurement policies and practices; inventory and warehousing activities; property management activities; utilization of automatic data processing equipment.

These are not necessarily all or perhaps even the

Three ways to cut waste in the federal government



**"Make better use
of manpower"**



**"Put a stop to
unnecessary
buying"**



**"Coordinate data
processing systems"**

Comptroller general pinpoints needed changes in federal spending methods

most important areas of management concern. Certainly improvements can and should be effected so as to reduce the costs to the taxpayers.

What can be done about unnecessary procurement?

Well, buying more than the government needs certainly continues to be one of the major problems that confront agency officials.

We have directed a considerable part of our audit manpower to this problem and the record is replete with numerous reports during the past few years disclosing overbuying of equipment and supplies.

Since many of the procurement programs are constantly changing and being modified, attention of officials to procurement requirements and related matters is a never-ending process.

In fact, the importance of this cannot be overemphasized since erroneous or excessive requirements possibly generate more waste of the taxpayers' dollars than any other single factor. This is an area that demands the devotion and attention of our best management resources and skills so as to promote better performance than experience shows.

Some primary causes contributing to buying more than is needed, as disclosed in our reviews, are: failure to reduce requirements and procurement commensurate with downward program revisions; incorrect and incomplete accounting and stock records; unnecessary reservations of equipment for extended periods; failure adequately to consider inventories on hand; failure to manage available funds prudently by making spending decisions that result in acquiring goods and services that may not really be needed at the time.

We have made specific recommendations to the various agency officials concerning the need for improved controls and procedures in these areas.

Also, we have suggested that increased attention be given through more effective periodic management reviews so as to eliminate overprocurement of equipment and supplies.

How can savings be made in defense procurement?

For many years we have strongly encouraged more competitive buying and will continue to do so.

We believe that the maximum practicable use of competition in government procurement programs is fundamentally sound and will promote efficiency and economy in both government and industry. Not only will it provide additional opportunities for more contractors, but it will have a significant effect upon the prices which the government pays, largely through the initiative and efficiency of industry itself. This should not only provide increased production opportunities, but also provide a means for greater product diversification in various segments of the industrial complex.

I recognize there are problems of timing, need, getting things quickly. I realize competition takes more time, planning, and thought. Even so, I think it's worthwhile.

Defense Department programs designed to hasten the progress of competitive procurement are already in effect or planned and are consistent with the corrective actions we proposed. In the past year the military departments have reported cost reductions in excess of \$40 million which they attribute directly to increased competition in the procurement of aeronautical spare parts.

Taking into consideration the problems to be dealt with, the Defense Department believes a realistic target for the near future would be the achievement of competition in the range of 30 per cent of its total procurement dollars. I understand it's now about 18 per cent.

Has GAO found significant areas for savings outside the military?

Yes. We have issued over 100 reports to Congress on programs and activities of civilian agencies during the past year. Quite a number of these reports dealt with some significant matters that will affect government operations.

A recent example concerns our report on the Treasury Department's study of its tax and loan accounts and services rendered by banks for the federal government.

The study was prompted by our recommendation, supported vigorously by Rep. Porter Hardy, Jr., Democrat of Virginia, chairman of the Foreign Operations and Monetary Affairs Subcommittee of the House Government Operations Committee.

It seems evident that the government is not being adequately compensated in all cases for the use of its funds in these accounts.

We recommended that Congress consider legislation establishing a general policy requiring that the banks pay to the government amounts approximating the excess of the earnings value to them of these accounts over the cost of services rendered to the government.

Another significant area concerns our reviews of activities of the federal-aid highway program of the Bureau of Public Roads in various areas and states.

As a result of our reviews in the various states, the Bureau has agreed to re-examine various transactions under the program.

The government is now the world's largest user of automatic data processing systems. How is it performing in this area?

The Bureau of the Budget reported that as of June 30, 1960, there were 540 ADP machines installed in federal government operations, exclusive of those used for military tactical operations, intelligence, surveillance systems and certain other military programs. The estimated 1960 operating cost was about \$295 million. As of June 30, the number was reported to have increased to 1,006 and the estimated annual operating cost has increased to about \$470 million.

Our reviews indicate a continuing need to improve many areas, including management analysis and scientific techniques; master planning and development of integrated systems within each agency; management control over acquisition and use; management participation in planning efforts for the development of integrated agency systems.

Federal agencies have generally followed the practice of leasing rather than purchasing punched-card and automatic data processing equipment. Government agencies should give more consideration to purchasing ADP equipment, particularly in those instances where savings can be demonstrated over a period of several years even though large capital outlays would be involved initially.

Generally the practice of each

government agency is to procure equipment for its own needs, on either a purchase or rental basis, and to trade in purchased equipment or exchange old rented equipment for newer models without consideration of possible needs of other agencies. However, it is possible that such equipment can be used to serve the needs of other agencies.

A mechanism should be established in the government whereby the procurement and transfer of ADP equipment between agencies would be fully coordinated so as to keep costs as low as possible consistent with obtaining needed facilities.

There is also a need for more positive central planning of a long-range nature within the executive branch to promote the maximum degree of efficiency, economy and effectiveness in the administration and management of costly ADP facilities.

We believe the Bureau of the Budget occupies a position in the executive branch which makes it the logical agency to exercise the kind of central leadership needed.

More recognition needs to be given the far-reaching role which electronic systems seem destined to play in governmental processes and the related need for sound planning for their use.

What can be done to check end-of-fiscal-year spending?

There's no question that the urge exists to spend the full budget. As I see it, agency officials have to travel a long, rough road to obtain approval. They're quizzed and examined by Congress extensively as to their needs. Apparently they feel any unspent funds will reflect adversely upon their stewardship and administration and I suppose it is only natural in the face of this to want to spend it.

We try to watch this carefully in GAO itself. Our operating budget for fiscal 1962 totaled \$43 million. We spent \$40.9 and didn't draw the remainder.

We look very carefully at last minute orders in the various government agencies. I think we have some effect. I don't know if there is any wholly satisfactory remedy. It's prevalent not only in government, but also in municipalities, states, hospitals, universities—wherever there's a budget.

To what extent is crookedness involved in government waste?

My feeling is that most waste results from honest mistakes—pri-

marily inaccuracies. Only in exceptional cases do you find crookedness.

In the biggest cases we've exposed there has been no suggestion of collusion or wrong thinking.

My experience is that by and large the men in the job of procurement are trying to do a good job. Because of mistakes in judgment or lack of training or other circumstances beyond their control, they make these errors.

Have any agencies or contractors attempted to pressure GAO to lay off an audit?

I am not aware of a single case of an agency or contractor attempting to bring pressure upon this office to avoid an audit. It's unusual, but that's the way it is. I should imagine that anyone contemplating such an action would seek careful advice. And that advice undoubtedly would be—don't.

Has GAO cut its own payroll?

There were 14,000 GAO employees in 1946-47. Since 1955 the number has been reduced from 5,800 to 4,700. In my opinion this is unique among major agencies.

Manpower management and utilization is a primary responsibility of each agency head. In our own case, manpower is our most important resource and we have devoted considerable time and effort to constantly improving our performance and increasing over-all effectiveness.

I feel, to be an effective administrator, that this matter of manpower utilization must be dealt with on a continuing, day-to-day basis.

We have made frequent and periodic analyses of our operations, taking positive action in identifying unnecessary work, duplicating functions, and other administrative practices which have outlived their usefulness.

We have evaluated every vacant position for its essentiality and have filled only those absolutely necessary.

We have avoided reduction-in-force procedures since they are too costly to be used except in emergency situations. Therefore, we have used attrition on a well-planned, long-range basis to reduce employment in those areas in which improvements can be made to better manpower utilization.

As we built up our professional staff we were able to reduce our clerical staff substantially. In the past seven years we've added 1,000 professionals and cut clerical workers by 2,100.

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A new study finds industrialization is accompanied by a rise in incomes, retail sales, bank deposits; a rise in nonmanufacturing jobs; and, in many instances, increases in population and school enrollment.

Communities benefit most from industrial additions which remain stable through business fluctuations, achieve steady growth, have financial responsibility, mature employment and wage policies, high tax yields, and a minimum of nuisance-producing effects.

These findings are highlights of a study by the Economic Research Department of the Chamber of Commerce of the United States. The study brings up-to-date an eight-year-old analysis of economic and social effects in nine counties which industrialized in World War II and the immediate postwar period.

The study—comparing changes in 11 counties which industrialized between 1950 and 1960 with the same number that did not—shows that 100 new factory workers increase:

- ▶ Personal income by \$660,000 per year.
- ▶ Bank deposits by \$229,000.
- ▶ Nonmanufacturing employees by 65.

A breakdown of annual retail sales increases—totaling one third of a million dollars—includes: grocery stores, \$72,000; automobile dealers, \$47,000; eating and drinking establishments, \$25,000; service stations, \$24,000; department stores, \$22,000; clothing and shoe stores, \$21,000.

Identical results from industrial growth cannot be expected in all communities. Economic effects will depend on many factors, including the type of factory, characteristics of the labor force, and the nature, size and utilization of community facilities.

If the community has unused labor supply, buildings and other resources, there will be less impact than in a community with fully realized resources.

There was a net population gain of more than 68,500 for the counties that industrialized between 1950 and 1960, compared with a drop of 51,000 for those that did not.

Four of the counties with industrial growth had population losses, but the study notes that the declines in these rural areas would have been much greater without industrialization. All of the 11 counties which did not industrialize showed population deficits.

The industrialized counties studied are: Washington, Ark.; Canyon, Idaho; Iroquois, Ill.; Sanilac, Mich.; Newton, Mo.; Platte, Nebr.; Gray, Texas; Lamar, Ala.; Monroe, Miss.; Ashe, N. C.; Henderson, Tenn.

While the study cites numerous plus factors, it also lists potential costs emanating from industrial growth. The new firm and its employees often require the community to provide new and enlarged facilities. Water supply and sewage systems may have to be expanded. New streets and highways may be needed. Traffic control expenditures may increase. New police and fire protection may be needed. One community even had to build a new jail.

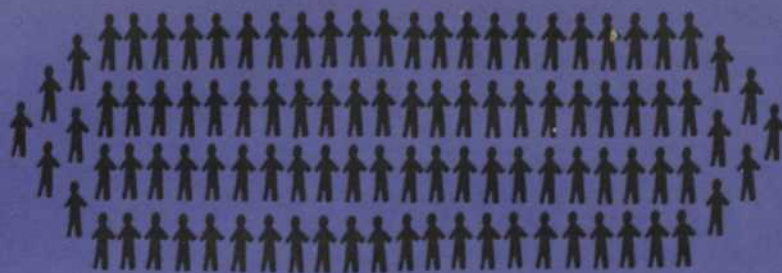
The Chamber study stresses that results can be estimated only by a careful analysis of community facilities and the demands created by new industry.

Criteria for analyzing the 11 counties were: manufacturing employment more than doubling between 1950 and 1960; manufacturing employment more than 15 per cent of total employment in 1960; major employment change, excluding decreased agricultural employment, producing an increase in manufacturing jobs; county not part of or adjoining a metropolitan area.

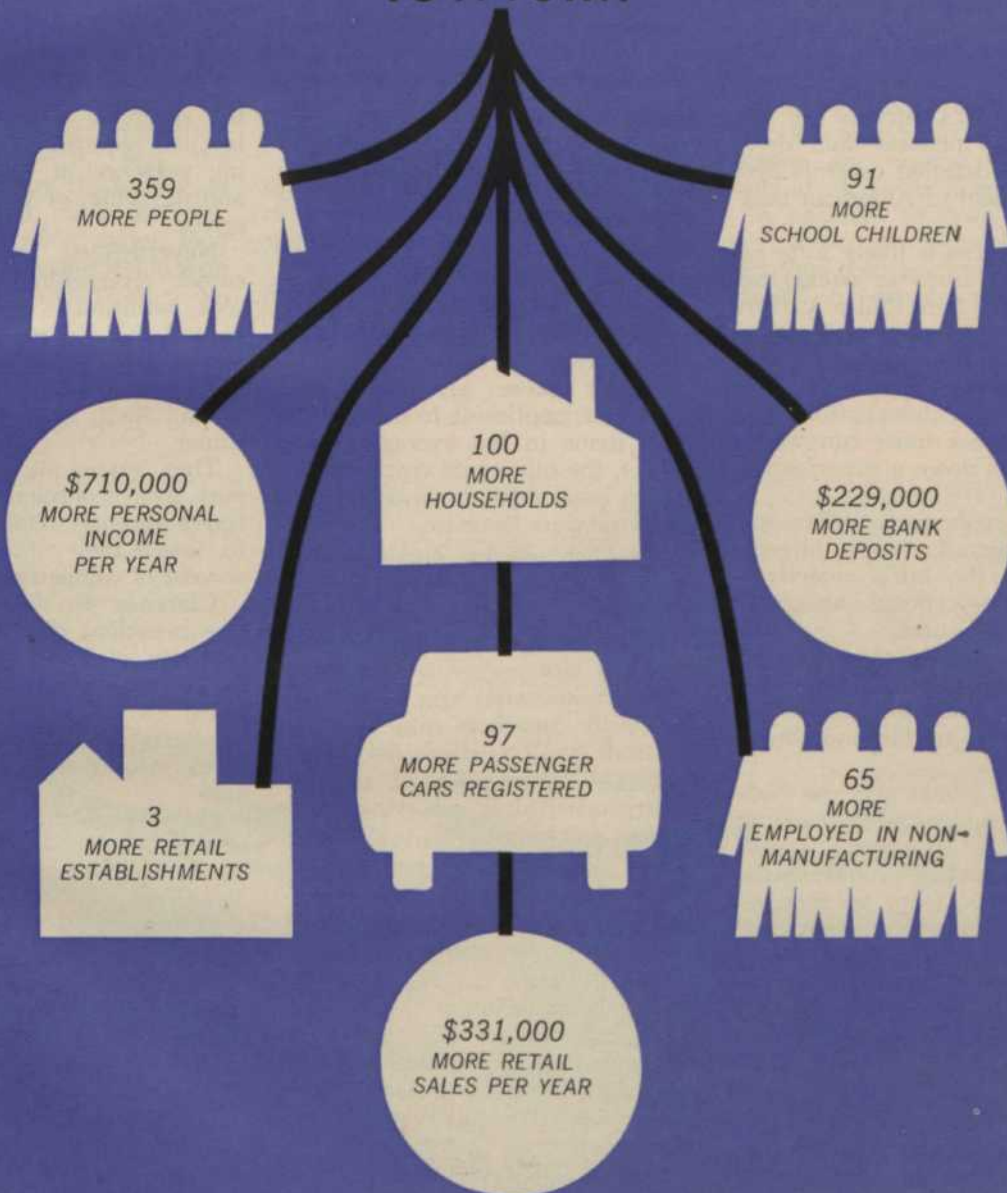
Population of the counties in 1960 ranged from 14,000 to 58,000. Adjustments were made for differences in total population between the industrialized and nonindustrialized counties to establish valid comparisons.

Information about the study—"What New Industrial Jobs Mean to a Community"—may be obtained from the Economic Research Department, Chamber of Commerce of the United States, 1615 H St., N.W., Washington 6, D. C. **END**

REPRINTS of "How New Plants Help" may be obtained for 15 cents a copy or \$9 per 100 postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.



WHAT 100 NEW FACTORY WORKERS BRING TO A TOWN



HERE'S PACKAGE YOU WON'T BUY

Far-reaching law on containers and labels looms
as major congressional issue in consumer field

POLITICAL CHAMPIONS of the consumer will increase their drive next year for detailed controls over a broad segment of American business.

The chief focus is likely to be on a bill labeled truth in packaging.

Its sponsor is Sen. Philip A. Hart of Michigan, who says it is aimed at cleaning up the "gantlet of psychological traps, successive confusions and outright deceptions that today's consumer must run whenever he passes down a supermarket aisle."

Industry spokesmen point out that most manufacturers already comply with the bill's objectives. Only a small percentage engages in questionable practices.

Even one key co-sponsor concedes: "By and large, the consumer manufacturer packs and labels his goods in an efficient, fair and honest manner."

But the bill would give the Federal Trade Commission far-reaching authority to set packaging standards on a product-by-product basis, raising industry fears of requirements that could stifle competition, disrupt mass distribution, and force prices upward.

Coverage would involve some \$80 billion in products for which American families spend a third of their budgets.

The bill would require prominent labeling of package contents, ban illustrated labels showing goods that could accompany the contents but are not actually present, and prohibit any labels suggesting price advantage.

Specifically prohibited, for example, would be such terms as

jumbo quart, pictures of fruit absent from cereal containers, and cents-off or economy size designations.

Wholesale rules

The Food and Drug Administration and the FTC would be given power to extend these requirements to cover all consumable, non-durable items.

Besides these across-the-board provisions, applicable to most of the 7,500 items in the average supermarket, the bill would empower the FTC to issue regulations on a product-by-product basis to:

1. Establish weights and measures at which a given commodity could be sold.
2. Prescribe a ratio of contents to container size.
3. Determine what size containers for specific products rate the designations small, medium, and large.
4. Declare how much of a commodity constitutes a serving.
5. Rate goods for which volume or weight designations are not in themselves meaningful. This would provide strength ratings for all cleaning products, for example.
6. Require more detailed information as to ingredients.

Actually FTC already has sweeping powers in this field, and the Food and Drug Law clearly prohibits false or misleading labeling or any container that is "so made, formed, or filled as to be misleading."

Containers must be labeled to show, among other items, weight, measure or numerical count, displayed with such prominence that they can be read and understood by

the ordinary individual. Existing law also requires statements indicating presence of artificial coloring and flavoring, or chemical preservatives.

Nevertheless, professional consumer representatives and others seek additional controls on the ground that the revolution in mass distribution, which makes packages the silent salesmen on the supermarket shelf, is confusing the consumer.

They expect at least tacit support from conscientious manufacturers who may sometimes be forced to lower their standards to stay abreast of competitors.

Clarence G. Adamy, executive vice president of the National Association of Food Chains, foresees no great hardship in the across-the-board provisions of the bill if not so severely applied as to produce "long rows of gray cans and packages."

He does question whether the resulting benefit to the consumer would match the rise in prices that could result.

And he fears that the product-by-product regulations, imposed by an agency having more authority than responsibility, could stifle the innovation, change, flexibility, and individualism upon which competition rests.

"Anything that defeats flexibility defeats the consumer interest," he declares.

Mr. Adamy views the retailer as the purchasing agent for the consumer, in competition with other retailers in choosing which manufacturer's goods to carry.

Each retail food store that opened

its doors during 1962 faced three others of comparable position within a trading area of a mile to a mile-and-a-half in radius, he tells NATION'S BUSINESS. Thus:

"If a retailer fails to fulfill his proper role as purchasing agent for the consumer, his competitor will soon remove him from business."

Other industry spokesmen point out that standardization of quantities in which commodities can be sold and regulation of container sizes would force the nation's manufacturers and processors to replace millions of dollars in packaging equipment, which could raise prices to the consumer.

Any determination of packaging standards is a tremendously complex process, they note, depending on such factors as durability, sanitation and preservation properties, shipping requirements, and the desires of consumers themselves as established through costly surveys.

The president of a major food processing firm, in a discussion with NATION'S BUSINESS, pointed out

that many outwardly comparable products differ drastically in weight, content, size and quality, suggesting that too rigid standardization of packaging could actually be misleading.

As to the problem of partially empty packages, several industry spokesmen point out that certain substances, especially flake cereals, settle in varying degrees during multiple handling before reaching the consumer.

Revision predicted

"The housewife could get a package absolutely full—and absolutely crumbled," says Charles A. Feld, executive director of the Packaging Institute, which represents some 400 companies including processors and manufacturers in the food, oil and pharmaceutical industries.

Mr. Feld expects some portion of the bill to be enacted during the next session of Congress, but not without major revision.

One consumer spokesman who denounced the practice of lowering

contents while maintaining price as "wrong and deceitful" conceded that there would be no problem "if the content were clearly stated."

Mr. Adamy declares that some consumers, perhaps irrationally, will continue knowingly to buy a slightly lesser amount of a commodity at a constant price, but refuse to pay a slight increase for the same amount.

When there is a change in unit price of a product, he adds, "The public is entitled to a clear recognition of the change."

The 300-member Grocery Manufacturers of America has taken no position on the Hart bill. Its president, Paul S. Willis, says he believes that present federal, state and municipal laws provide all the coverage needed.

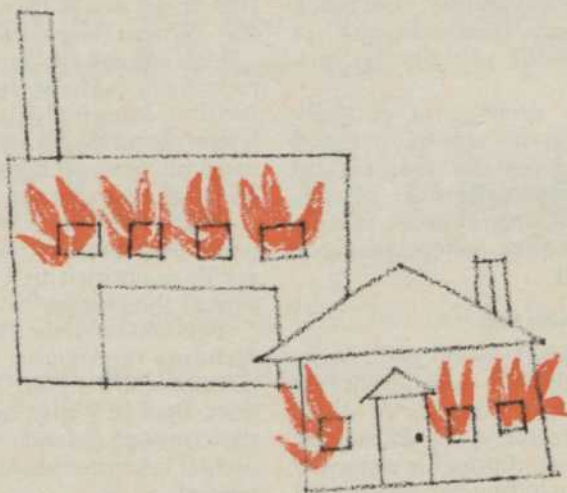
But he told NATION'S BUSINESS that he would favor budget increases to expand enforcement staffs at all levels if needed.

In addition to laws, 33 government departments and agencies report that they perform activities of interest to consumers. A House

Industry fears that extreme regulation of packaging on product-by-product basis could bring standardization of containers, disrupting competitive mass marketing

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PACKAGE

continued

Government Operations subcommittee reported that there are 103 activities directly protecting consumers, involving 22,000 employees and the annual expenditure of \$272 million.

Also concerned with consumer interests, though less directly, are some 43,000 employees engaged in activities costing an additional \$681 million a year.

The same committee has surveyed activities at state and local levels and will report its findings next month. It can be said now that the subcommittee staff found plenty of laws, although enforcement varies from place to place, and is studying its data to pinpoint gaps and duplications.

Political pressure

Several political factors give some indication of the prospects for the Hart bill:

President Kennedy, in his presidential campaign, stated that . . . "the consumer is the only man in our economy without a high-powered lobbyist in Washington. I intend to be that lobbyist."

At another point, he pledged to appoint a Consumer Counsel in the Executive Office.

After 18 months in office, the President named a Consumer Advisory Council which liberal critics said was far from his campaign pledge.

In his consumer message early this year, the President listed packaging legislation among his specific requests and singled out the work of the Hart subcommittee for praise.

In launching its program for this fiscal year, moreover, the Advisory Council named four of its members to a committee on consumer standards, grades and labels.

A White House announcement said they will study "governmental consumer standards of identity, quality, quantity, safety and product performance, including assessment from the consumer point of view of systems of grades, labels, and quality designation."

The Advisory Council probably will recommend no specific laws before next July, nor will it take any official position on bills initiated elsewhere during the session of Congress opening next month.

But the personal views of three members of the Advisory Council's committee on consumer standards,

(continued on page 96)

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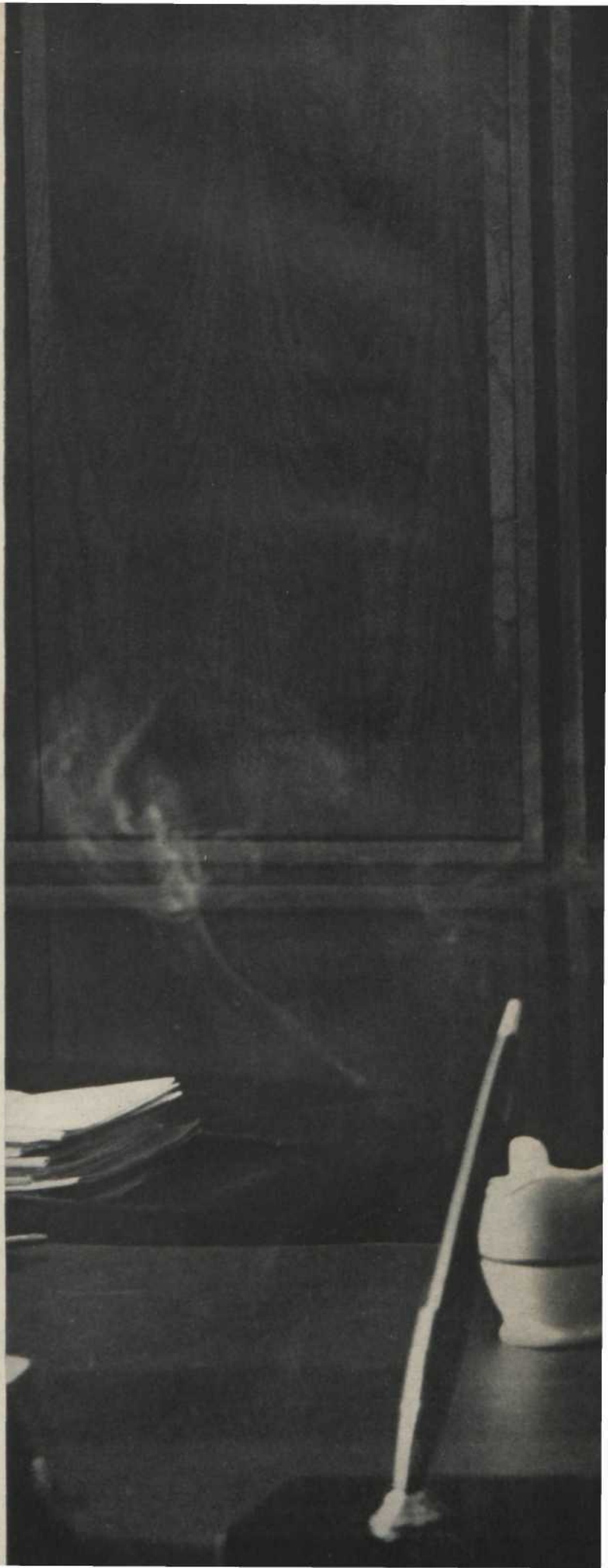
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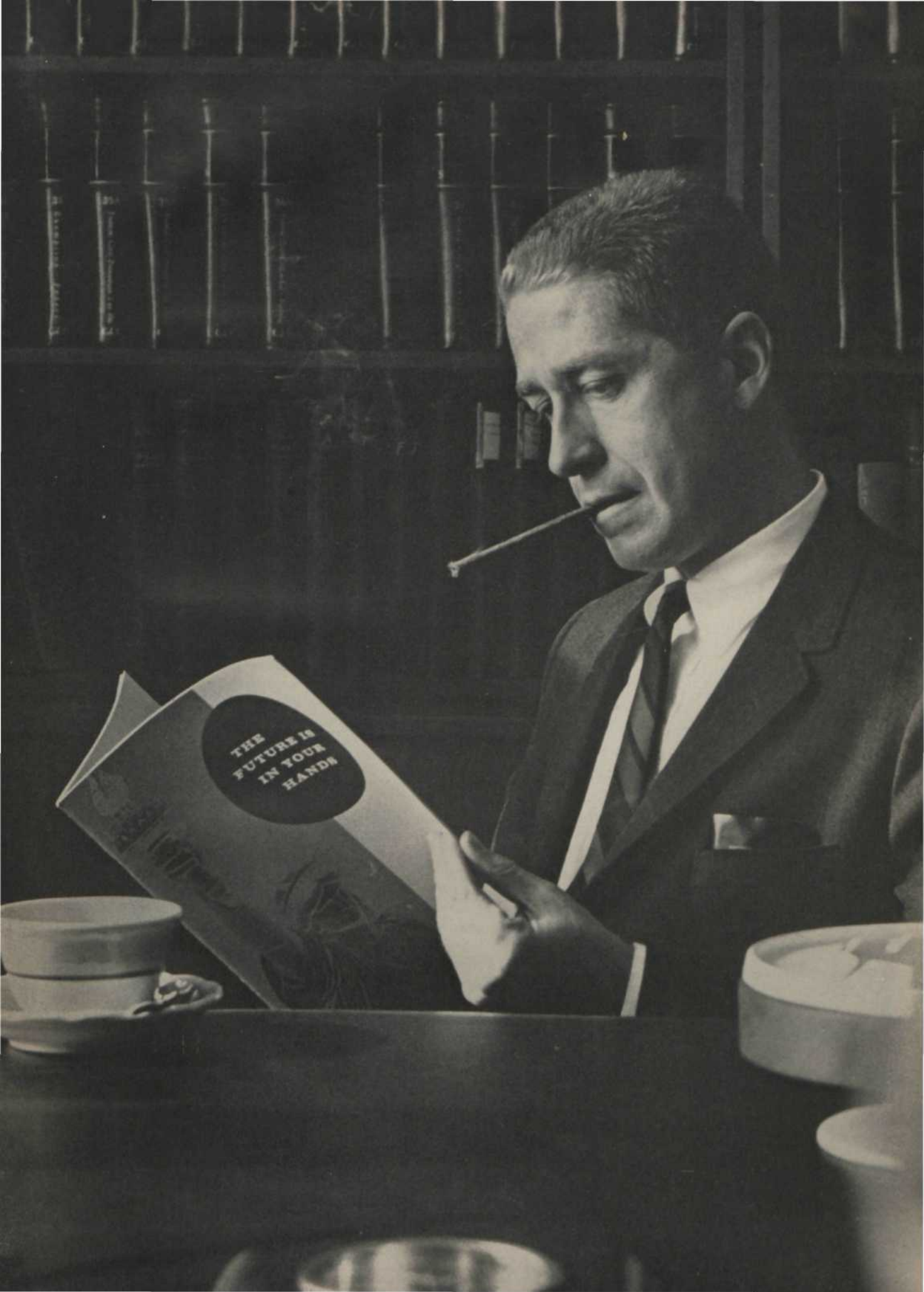
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	Page		Page
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Chirurg & Cairns, Inc., New York		N. W. Ayer & Son, Inc., Philadelphia	
American Telephone & Telegraph Company, Business General	1	International Business Machines Corporation (Electric Typewriter Div.)	4th cover
N. W. Ayer & Son, Inc., Philadelphia		Benton & Bowles, Inc., New York	
American Telephone & Telegraph Company, National Yellow Pages Service	69	E. F. Johnson Company	74
Cunningham & Walsh, Inc., New York		Firestone-Goodman Advertising Agency, Inc., Minneapolis	
American Trucking Associations, Inc.	49	S. C. Johnson & Son, Inc.	10
The Altman Company, Inc., Detroit		Needham, Louis & Brorby, Inc., Chicago	
Anaconda Company, The	31	Walter Kidde & Company, Inc., Kuda Division	14
Kenyon & Eckhardt, Inc., New York		G. M. Basford Company, New York	
Aubanel, Publishers	62	Lathem Time Recorder Company ..	72
Rumbie, Crocether & Nicholas Ltd., London		J. Howard Allison & Company, Atlanta	
Butler Manufacturing Company	63	Lincoln National Life Insurance Co.	93
Aubrey, Finlay, Marley & Hodgson, Inc., Chicago		Mazon, Inc., Detroit	
Cadre Industries Corporation	64	Listo Pencil Corporation	73
Gilbert and Felix, Inc., New York		Cunningham & Walsh, Inc., San Francisco	
Chamber of Commerce of the United States	92, 94, 95	Marsh Stencil Machine Co.	73
Checker Motors Corporation	79	Frank Block Associates, St. Louis	
Herbert Baker Advertising, Inc., Chicago		Monroe Calculating Machine Co., Inc.	55, 56, 57
Denver Chicago Trucking Company	76	Ellington & Company, Inc., New York	
Broyles, Allebaugh & Davis, Inc., Denver		Mutual Benefit Life Insurance Company	48
Detroit Diesel Engine Div. of GMC .	24	Donahue & Coe, Inc., New York	
Kudner Agency, Inc., New York		National Truck Leasing System	71
F. W. Dodge Corporation	50, 87	Stevens & Kirkland Advertising, Chicago	
G. M. Basford Company, New York		New York Life Insurance Co.	12, 70
Dodge Div., Chrysler Corp., Cars ..	47	Compton Advertising, Inc., New York	
Batten, Barton, Durstine & Osborn, Inc., Detroit		Oxford Filing Supply Company, Inc.	73
Dow Jones & Company, Inc.	64	Kelly, Nason, Inc., New York	
Batten, Barton, Durstine & Osborn, Inc., New York		Pitney-Bowes, Inc.	58
Eastman Kodak Company, Verifax Div.	20, 21	L. E. McGivena & Company, Inc., New York	
J. Walter Thompson Company, New York		Remington Rand Office Machines Div., Sperry Rand Corp.	32
Equitable Life Assurance Society of the United States	52	Gardner Advertising Company, Inc., N.Y.	
Foot, Cone & Belding, N.Y.		Rock Island Lines	13
Ford Motor Company, Auto Fleet ..	27	Aubrey, Finlay, Marley & Hodgson, Inc., Chicago	
J. Walter Thompson Company, Detroit		Royal McBee Corp., Electric Typewriter Div.	18, 19
Ford Motor Company (Trucks) 3rd cover		Young & Rubicam, Inc., New York	
J. Walter Thompson Co., Detroit		Speed Queen, Div. of McGraw-Edison Co.	78
Foundation for Commercial Banks..	51	Geer-Murray, Inc., Oshkosh, Wis.	
Guild, Bascom & Bonfigli, Inc., San Francisco		Union Pacific Railroad	22
Friden, Inc.	23, 77	Geyer, Morey, Ballard, Inc., Omaha	
Richard N. Meltzer Advertising, Inc., San Francisco		Victor Business Machine Company..	48
Goodyear Tire & Rubber Company 4, 5, 6		John W. Shaw Advertising, Inc., Chicago	
Kudner Agency, Inc., New York		Vogel-Peterson Company	73
Greyhound Corporation, The	15	Ross Llewellyn, Inc., Chicago	
Grey Advertising Agency, Inc., New York		Western Electric Company	97
Hammond Organ Company	11	Cunningham & Walsh, Inc., N.Y.	
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		Norman, Craig & Kummel, Inc., N.Y.	

PACKAGE

continued

grades and labels are already on record.

One is Helen Ewing Nelson, who was named to head the consumer counsel office on the staff of the governor of California. She has proposed, among minimum measures, laws governing paper products, soaps, detergents, housewares, garden supplies, toys, wearing apparel, tobacco products, cleaning agents, and insecticides, not covered by the Federal Food, Drug and Cosmetic Act.

Another is Dr. Persia Campbell, head of the Queens College economics department and former consumer counsel to the governor of New York, an official of the National Association of Consumers, who has worked with the consumer service division of the AFL-CIO.

Professor Campbell, who advocates a clearinghouse for consumer information, plus representation in government, has had this to say about modern packaging:

"I think perhaps we have gotten into a situation where we are overspending on packaging . . . My first answer . . . would be to make sure the costs are minimal. With food, people want the product, you know."

The third member, Colston E. Warne, professor of economics at Amherst College and president of Consumers Union, has already suggested that use of standard package sizes should be considered and in the past has favored a federal department of consumers as proposed by Sen. Estes Kefauver of Tennessee.

The Council's work also will cover the exchange of consumer information between government and the public, formal government representation of consumer interests, consumer credit, relations among federal and state agencies involved in consumer protection, and acceleration of economic growth.

Many of these overlap certain issues for which legislation has been proposed. The Council's study program could delay the drive for enactment of a given law, only to increase the pressure later.

An Administration source close to the Advisory Committee predicts that the recommendations will be far-reaching. The panel on consumer credit, he said, may go far beyond the question of credit terms and examine possible standards governing what the consumer gets for his borrowed funds. **END**

IT TAKES PEOPLE TO PARE COSTS. And reducing the cost of doing business today is essential, because this era presents unique problems of rising costs to every businessman. Managements use many sound means and methods: quality-control techniques, carefully programed volume production, modern plant facilities, to name a few ■ At Western Electric, we employ them, too. With these important, extra dimensions: a formal reduction-of-costs program by engineers in manufacturing, and an awareness of costs in all phases of our operations. Cost consciousness begins with management impetus, but it extends to supervisors, to engineers, to W. E. people in the production, distribution and installation of communications equipment we supply to the Bell Telephone network. Reduction of cost is an objective, too, as W. E. people work closely with Bell Laboratories and the Bell Telephone companies ■ Thus, people sharing common responsibilities and common goals help assure America of the most advanced communications services — at the lowest possible cost.

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Everyone at Western Electric knows that an integral part of his job is to apply constant, conscious effort towards reduction of costs. As a result, the level of W. E. prices to the Bell Telephone companies for products we make is now about 12 per cent lower than at the beginning of 1950.

MEN AT WORK

In an obscure Washington office, a dozen men and women are working earnestly for a cause.

They are the staff of a national single-purpose organization for health care through social security. They spend each day arranging rallies, writing speeches, publishing pamphlets—all aimed at persuading Congress to pass a law that would accomplish their goal.

They are not alone.

In Social Security headquarters, the Public Health Service, and other offices in the sprawling Department of Health, Education and Welfare, federal civil servants are busy at the same task.

One block from the White House, an interdepartmental team of AFL-CIO experts maps legislative strategy. Union newspapers spread the message, as do a million pamphlets sold by one organization alone this fall.

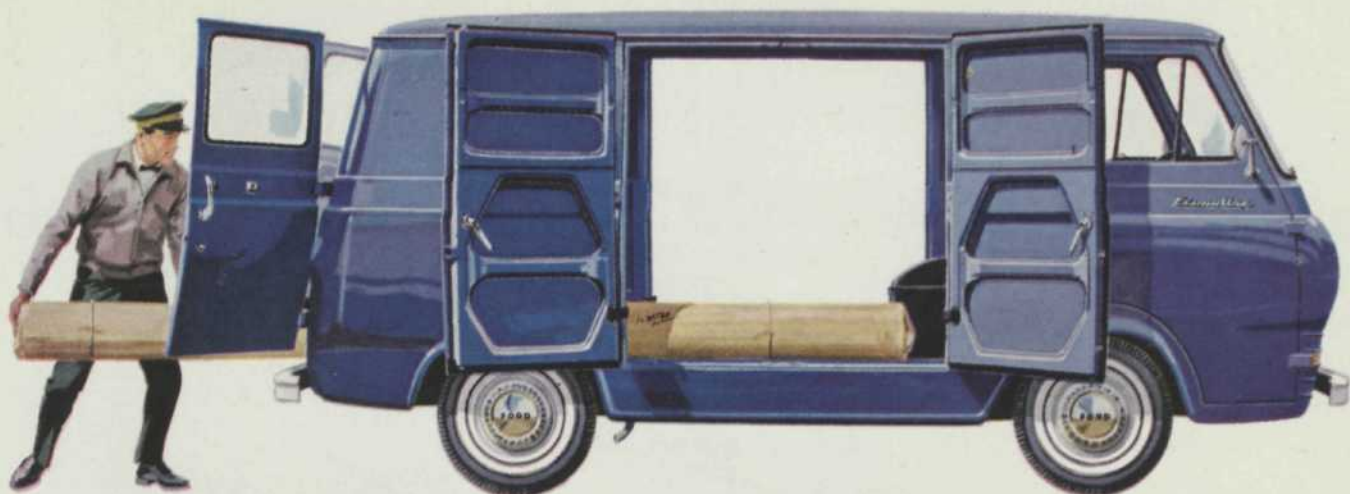
There can be no doubt that the new Congress will feel the heat generated by all this activity.

Those who know that such a compulsory federal program is neither needed nor wanted by the elderly must make sure that Congress also understands these facts.

With the facts, Congress will defeat the scheme as soundly as it has in the past.

Nation's Business • December 1962

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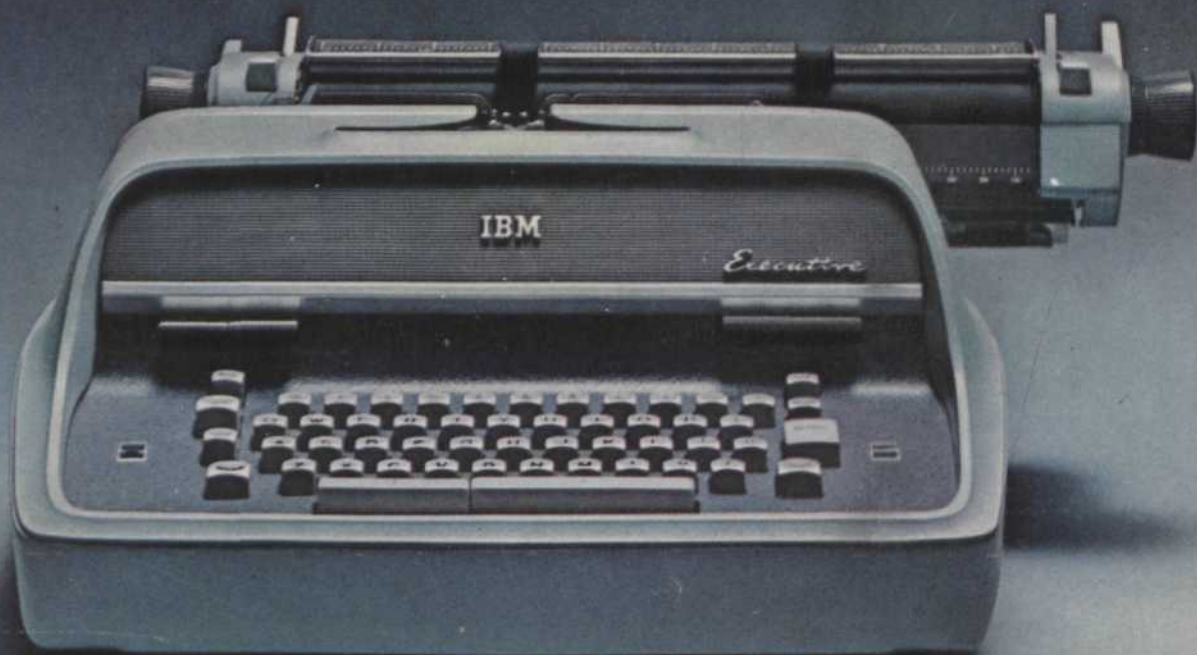
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